technicolor
CREATIVE STUDIOS

TECHNICOLOR CREATIVE STUDIOS

COMBINED FINANCIAL STATEMENTS

Combined financial statements as at and for the years ended December 2021, 2020 and 2019

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COMBINED STATEMENT OF PROFIT AND LOSS

(€ in million)	*Note*	Year ended December 31, 2021	2020	2019
CONTINUING OPERATIONS				
Revenue	*(3.2)*	601	438	771
Cost of sales	*(3.3.1)*	(495)	(430)	(659)
Gross margin		**106**	**8**	**112**
Selling and administrative expenses	*(3.3.1)*	(78)	(79)	(88)
Restructuring costs	*(12.1)*	(5)	(24)	(11)
Net impairment losses on non-current operating assets	*(4.5)*	(4)	(3)	(2)
Other income (expense)	*(3.3.3)*	0	(2)	0
Earnings before Interest & Tax (EBIT) from continuing operations		**20**	**(100)**	**11**
Interest income		10	5	4
Interest expense		(31)	(19)	(31)
Other financial income (expense)		-	2	(3)
Net financial expense	*(3.4)*	**(21)**	**(12)**	**(30)**
Share of gain (loss) from associates		-	0	0
Income tax income (expense)	*(6)*	(18)	10	(8)
Loss from continuing operations		**(19)**	**(102)**	**(27)**
DISCONTINUED OPERATIONS				
Net gain (loss) from discontinued operations	*(13)*	5	(24)	(11)
		-	-	-
Net loss for the year		**(14)**	**(126)**	**(38)**
Attribuable to :				
- Equity holders		*(14)*	*(126)*	*(38)*
- Non-controlling interest		-	-	-

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

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COMBINED STATEMENT OF COMPREHENSIVE INCOME

(€ in million)	*Note*	Year ended December 31, 2021	2020	2019
Net income (loss) for the year		**(14)**	**(126)**	**(38)**
Items that will not be reclassified to profit and loss				
Remeasurement of the defined benefit obligations		1	(1)	(1)
Tax relating to these items		-	-	-
Items that may be reclassified subsequently to profit or loss				
Fair value gains / (losses), gross of tax on cash flow hedges:				
- reclassification adjustments when the hedged forecast transactions affect profit or loss	*(9.5)*	-	0	3
Tax relating to these items		-	-	-
Currency translation adjustments				
- currency translation adjustments of the year		14	(19)	7
- reclassification adjustments on disposal or liquidation of a foreign operation		-	-	-
Tax relating to these items		-	-	-
Total other comprehensive income		**15**	**(20)**	**9**
Total other comprehensive income of the period		**1**	**(146)**	**(29)**
Attribuable to :				
- Equity holders		*1*	*(146)*	*(29)*
- Non-controlling interest		-	-	-

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

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COMBINED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	December 31, 2021	December 31, 2020	December 31, 2019
ASSETS				
Goodwill	*(4.1)*	188	176	192
Intangible assets	*(4.2)*	96	102	118
Property, plant and equipment	*(4.3)*	46	51	81
Right-of-use assets	*(4.4)*	117	98	209
Other operating non-current assets		11	9	9
TOTAL OPERATING NON-CURRENT ASSETS		**459**	**436**	**610**
Non-consolidated investments	*(9.4)*	1	-	-
Other financial non-current assets	*(9.4)*	14	16	5
TOTAL FINANCIAL NON-CURRENT ASSETS		**14**	**16**	**6**
Deferred tax assets	*(6.2)*	22	22	10
TOTAL NON-CURRENT ASSETS		**495**	**475**	**626**
Trade accounts and notes receivable	*(5.1)*	63	57	71
Contract assets	*(3.2)*	74	42	62
Other operating current assets	*(5.1)*	31	38	36
TOTAL OPERATING CURRENT ASSETS		**169**	**137**	**169**
Income tax receivable		7	7	12
Other financial current assets	*(9.4)*	181	65	139
Cash and cash equivalents	*(9.1)*	12	28	9
Assets classified as held for sale	*(13.2)*	2	73	-
TOTAL CURRENT ASSETS		**372**	**310**	**328**
TOTAL ASSETS		**866**	**785**	**954**

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

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CREATIVE STUDIOS

COMBINED STATEMENT OF FINANCIAL POSITION

(€ in million)	*Note*	December 31, 2021	December 31, 2020	December 31, 2019
EQUITY AND LIABILITIES				
Invested equity and retained earnings		357	319	459
Cumulative translation adjustment		(130)	(144)	(124)
Shareholders equity attributable to owners of TCS		**227**	**175**	**335**
Non-controlling interests		-	1	1
TOTAL INVESTED EQUITY	*(7)*	**227**	**175**	**335**
Retirement benefits obligations	*(11.2)*	5	6	6
Provisions	*(12.1)*	3	-	-
Contract liabilities		1	1	2
Other operating non-current liabilities		10	9	10
TOTAL OPERATING NON-CURRENT LIABILITIES		**19**	**16**	**18**
Borrowings	*(9.3)*	1	1	1
Lease liabilities	*(9.3)*	107	86	174
Deferred tax liabilities	*(6.2)*	16	11	14
TOTAL NON-CURRENT LIABILITIES		**143**	**114**	**207**
Provisions	*(12.1)*	6	9	7
Trade accounts and notes payable		40	28	53
Accrued employee expenses		62	55	51
Contract liabilities	*(3.2)*	77	36	36
Other operating current liabilities	*(5.1)*	39	33	32
TOTAL OPERATING CURRENT LIABILITIES		**226**	**162**	**179**
Borrowings	*(9.2)*	216	235	174
Lease liabilities	*(9.2)*	27	28	48
Income tax payable		28	15	10
Liabilities classified as held for sale	*(13.2)*	-	56	-
TOTAL CURRENT LIABILITIES		**497**	**495**	**412**
TOTAL LIABILITIES		**640**	**610**	**619**
TOTAL EQUITY & LIABILITIES		**866**	**785**	**954**

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

(€ in million)	Note	December 31, 2021	2020	2019
Net loss		(14)	(126)	(38)
Gain (Loss) from discontinuing activities		5	(24)	(11)
Loss from continuing activities		(19)	(102)	(27)
Summary adjustments to reconcile loss from continuing activities to cash generated from (used in) continuing operations				
Depreciation and amortization		83	95	96
Impairment of assets		(1)	4	2
Net changes in provisions		(3)	3	2
Loss on asset disposals		(3)	1	0
Interest (income) and expense	*(3.4)*	21	14	28
Other items (including tax)		23	(12)	12
Changes in working capital and other assets and liabilities	*(10.2)*	30	(3)	7
Cash generated from (used in) continuing activities		**131**	**1**	**119**
Interest paid on lease debt		(9)	(9)	(11)
Interest paid		(23)	(9)	(18)
Interest received		12	4	2
Income tax paid		(1)	0	(5)
NET OPERATING CASH GENERATED FROM (USED IN) CONTINUING ACTIVITIES (I)		**110**	**(12)**	**87**
Acquisition of subsidiaries, associates and investments, net of cash acquired		(0)	(1)	(0)
Proceeds from sale of investments, net of cash		0	(0)	0
Purchases of property, plant and equipment (PPE)		(10)	(6)	(36)
Proceeds from sale of PPE and intangible assets		2	0	0
Purchases of intangible assets including capitalization of projects		(16)	(24)	(22)
Cash collateral and security deposits granted to third parties		(13)	(12)	(1)
Cash collateral and security deposits reimbursed by third parties		11	0	1
NET INVESTING CASH USED IN CONTINUING ACTIVITIES (II)		**(26)**	**(42)**	**(57)**
Net contributions from / (distributions to) Technicolor SA		(5)	21	(12)
Net cash pooling variance	*(10,1)*	(81)	105	14
Repayments of lease debt	*(10.1)*	(31)	(42)	(40)
Repayments of borrowings		(1)	(0)	(1)
Dividends and distributions paid to Group's shareholders		-	0	-
Other		-	-	-
NET FINANCING CASH GENERATED FROM (USED IN) CONTINUING ACTIVITIES (III)		**(118)**	**85**	**(39)**
NET CASH GENERATED (USED IN) DISCONTINUED ACTIVITIES (IV)	*(13.1)*	**17**	**(8)**	**(6)**
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR		**28**	**9**	**23**
Net increase (decrease) in cash and cash equivalents (I+II+III+IV)		**(16)**	**22**	**(16)**
Exchange gains / (losses) on cash and cash equivalents		(0)	(3)	2
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**12**	**28**	**9**

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

COMBINED STATEMENT OF CHANGES IN INVESTED EQUITY

(€ in million)	Invested equity and retained earnings	Cumulative translation adjustment	Equity attributable to equity holders of the Group	Non-controlling interest	Total invested equity
Balance as of December 31, 2018	**260**	**(131)**	**129**	**1**	**130**
Net loss for the year	(38)	-	(38)	0	(38)
Other comprehensive income	2	7	9	-	9
Total comprehensive income for the period	**(36)**	**7**	**(29)**	**0**	**(29)**
Net contributions from / (distributions to) Technicolor SA	235	-	235	-	235
Shared-based payment to employees	1	-	1	-	1
Balance as of December 31, 2019	**459**	**(124)**	**335**	**1**	**335**
Net loss for the year	(126)	-	(126)	0	(126)
Other comprehensive income	(0)	(19)	(20)	-	(20)
Total comprehensive income for the period	**(126)**	**(19)**	**(146)**	**0**	**(146)**
Net contributions from / (distributions to) Technicolor SA	(15)	-	(15)	-	(15)
Shared-based payment to employees	0	-	0	-	0
Balance as of December 31, 2020	**319**	**(144)**	**175**	**1**	**175**
Net loss for the year	(14)	-	(14)	0	(14)
Other comprehensive income	1	14	15	-	15
Total comprehensive income for the period	**(13)**	**14**	**1**	**0**	**1**
Net contributions from / (distributions to) Technicolor SA	51	-	51	-	51
Shared-based payment to employees	1	-	1	-	1
Balance as of December 31, 2021	**357**	**(130)**	**227**	**0**	**227**

The accompanying notes on pages 9 to 59 are an integral part of these combined financial statements.

1 General information

Technicolor Creative Studios (TCS) offers Visual Effects ("VFX"), and animation services for the entertainment industry, and creative services and technologies for the advertising industry, through its award-winning creative studios The Mill, MPC, Mikros Animation, and Technicolor Games.

TCS works primarily on an individual project basis, and builds teams and workflows around key creative and production talent. TCS also builds dedicated teams and spaces for clients who desire guaranteed capacity and talent across multiple projects.

In these combined financial statements, the terms, "the Group", "TCS Group" and "Technicolor Creatives Studios" mean the issuer together with its combined affiliates. TCS business or businesses means the activities that were reported under the Technicolor Creative Studios operating segment in Technicolor consolidated financial statements. Technicolor means Technicolor SA Company and its affiliates or when describing transactions with TCS Group, Technicolor SA and affiliates that are not in the scope of TCS Group.

These combined financial statements are presented in Euro, which will be the Technicolor Creative Studios Group's parent company's functional and presentation currency.

1.1 Background of the combined financial statements

These combined financial statements were approved on June 9, 2022 by Technicolor SA, as President of Tech 8, prior to the transformation of Tech 8 into a Société Anonyme and the change of its corporate name to "Technicolor Creative Studios" ("TCS") in the context of the transactions announced by Technicolor on February 24, 2022, and in particular the intended partial spin-off and the listing of TCS to be submitted to Technicolor SA Shareholders General Meeting to be convened in September 2022.

The Combined Group does not form a separate legal group of legal entities in all years presented. It has never issued standalone financial statements, either consolidated or combined. As result, the accompanying combined financial statements may not necessarily be indicative of the Combined Group's financial position, results of operations, or cash flows had the Combined Group operated as a separate entity during the periods presented. Furthermore, the combined financial statements do not reflect the financial impact of the actual separation of the Combined Group from Technicolor.

These Combined Financial Statements have been prepared under the responsibility of the legal representative of Tech 8 SAS on a standalone basis and are derived (carved-out) from Technicolor's consolidated financial statements and accounting records, which were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Accordingly, the Combined Financial Statements as of December 31, 2021, December 31, 2020 and December 31, 2019 are consistent with the estimates reflected in Technicolor's consolidated financial statements. The Combined Group has evaluated subsequent events and transactions for disclosure through the date the combined financial statements were available to be issued.

These financial statements have been prepared in order to provide comparative and historical information for the past three years according to the assumptions detailed in Note 1.3 and scope detailed in Note 15 to these financial statements.

In the event of a favorable vote by the shareholders at the aforementioned General Meeting, the combined financial statements will form an integral part of the consolidated financial statements of TCS for the periods prior to the spin-off.

1.2 Main events

1.2.1. Technicolor Creatives Studios Reorganization

After the sale of Post-production services in April 2021 to Streamland (more details are available in the Note 2) , Technicolor Creative Studios (previously known as Production Services in Technicolor SA consolidated financial statements) was launched and resulted in the formation of a collaborative integrated global structure, designed to facilitate greater collaboration among studios, integrate technology platforms and drive future innovations for our partners and clients. Technicolor Creative Studios is now organized under four primary service lines:

1. **MPC (prior Film & Episodic VFX):** Our award-winning visual effects studios, now under the unitary MPC brand, unite artistry and creativity with technology and innovation. We bring decades of experience in delivering everything from breathtaking environments, down to the precise details of a full CG character;
2. **The Mill (prior Advertising service line)**: With the latest visual effects, CGI and immersive technologies, we produce ground breaking advertising, content and interactive marketing solutions for the world's biggest brands;
3. **Mikros Animation:** From episodic hits to major animated features, we work with leading animation studios. Our industry-leading facilities have become home to some of the world's most recognized and respected animators;
4. **Technicolor Games**: Technicolor Games focuses on the creative needs for the gaming industry. We've collaborated with many of the top game developers in the world.

1.2.2. Covid-19 Pandemic

In 2021, Covid-19 affected immigration, travel and work practices. The Group constantly works on action plans to offset potential negative impacts and serve the growing demand for its operations.

Complying with evolving local and national government regulations and in consultation with local business leadership, Technicolor Creative Studios has continuously adjusted capacity limits, on-premise protocols, and remote work policies.

In addition to immigration policy changes in Canada and in the UK, the pandemic continues to affect both immigration and travel, negatively impacting the industry's ability to attract talent to locations where the demand for talent exceeds local supply. To support its significant backlog, Technicolor Creative Studios continues to invest in its Academies across multiple locations and implements various measures aiming at reducing attrition rate and retain talents.

The Group received support from governments mainly in the first half of the year as the activity was still subdued (see note 3.3.2).

In 2020, starting from March 2020, MPC (Film and Episodic visual effects activity) has been significantly impacted as all live-action film shoots were suspended and theaters closed. As a result, new projects were put on hold during the second and third quarter 2020.

Following the major U.S. studios' reaching an agreement in September with all the key Hollywood unions, production activity began to accelerate during the fourth quarter 2020. Furthermore, a number of countries like Canada, France and the U.K. have launched pandemic-related support programs including wage subsidies and production insurance/indemnity schemes that provide pandemic-related coverage.

The Mill (Advertising activity) weakened starting from the second quarter 2020 due to the global macro-economic situation, causing advertisers to delay campaigns and reduce marketing budgets. However, activity was less impacted than MPC activity as brands were keen to maintain a bond with their customers. Animation and Games activity, with the ability to efficiently continue production from home, had a strong topline performance, achieving growth versus 2019; Post-Production was also significantly impacted by the live-action production stoppages.

Technicolor Creatives Studios organized itself to be able to deliver on existing contracts and take new ones with as much as possible of its workforce working remotely. Main impediments came from the strict lockdown in India and progressive ramp-up of work from home capacity. This resulted in idle labor costs and related fixed costs, as many Technicolor Creatives Studios artists were either not able to work or had no work during the second quarter 2020. On the other hand, the Group benefited from government support for furloughed employees in Australia, Canada, France and the UK.(see note 3.3.2 for further detail).

1.3 Accounting policies

1.3.1 Applicable accounting standards

Conformity with IFRS

The combined financial statements of the Technicolor Creative Studios Group have been prepared in accordance with IFRS as issued by the IASB and endorsed by the EU.

In preparing the combined historical financial information, certain accounting conventions commonly used for the preparation of combined historical financial information have been applied. The term ‘‘combined financial statements’’is used when referring to financial information prepared by aggregating financial statements of segments, separate entities or components of groups that fail to meet the definition of a ‘‘group’’ under IFRS 10 ‘‘consolidated financial statements’’ (‘‘IFRS 10’’). A key assumption underlying the preparation of combined financial statements is that there is a binding element for the economic activities throughout the period. The combined financial statements of the Technicolor Creative Studios Group have been prepared by aggregating the financial information of Technicolor Creative Studios Business that is bound together by common control but is not a legal group.

The combined financial statements of the Technicolor Creative Studios Group present the companies and the business activities of Technicolor that will be allocated to the Technicolor Creative Studios Business in connection with the completion of the Spin-off in the manner in which they were included in the IFRS consolidated financial statements of Technicolor in the past. Beginning January 1, 2019, Technicolor Creative Studios Group used the same accounting policies and valuation methods for the preparation of these combined financial statements, as those used by Technicolor in its preparation of its historical IFRS consolidated financial statements. The significant accounting policies used in the preparation of the combined financial statements have been disclosed under each relevant note**.**

Including a “First adoption of IFRS” part

These combined financial statements being first IFRS financial statements in the meaning of IFRS 1, IFRS 1 has been applied as at January 1, 2019, which is the opening balance sheet date.

The Combined Group has prepared its financial statements for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 in accordance with IFRS 1 paragraph D16 (a).

When a subsidiary becomes a first-time adopter after its parent, IFRS 1 permits that the carrying amounts of its assets and liabilities should be the same in both its own opening IFRS balance and in its parents’ consolidated statement of financial position, excluding the effects of the business combination coming in which the parent acquired the subsidiary. Alternatively, the subsidiary may measure all its assets or liabilities based on its own date of transition to IFRSs. In this latter case, the options applied by the subsidiary under IFRS 1 may be different from those applied by its parents.

The Combined Group has chosen to prepare its opening IFRS financial statements based on the carrying amounts of its assets and liabilities in Technicolor’s consolidated statement of financial position (except for adjustments for consolidation procedures). The Technicolor Creative Studios business originated within the Technicolor Group with the acquisition of Technicolor by Thomson Multimedia; therefore the assets and liabilities do not include any revaluation of assets recognized as a result of this business combination (in particular the Technicolor Trademark). Consequently, the Combined Group has selected the same options under IFRS 1 as those applied by the Technicolor Group upon IFRS first adoption in 2004.

1.3.2 Principles applied in preparing the combined financial statements

The Technicolor Creative Studios Business did not form a separate legal group of companies in the periods presented. As a result, the accompanying combined financial statements of the Technicolor Creative Studios Group are derived (carved-out) from the Technicolor IFRS consolidated financial statements and accounting records. The combined financial statements include the assets and liabilities within Technicolor subsidiaries in such historical periods that are attributable to the Technicolor Creative

Studios Business and exclude the assets and liabilities within the Technicolor Creative Studios Group in such historical periods that are not attributable to the Technicolor Creative Studios Business. The combined financial statements include charges related to certain Technicolor business support functions including human resources operations, real estate services, procurement, information technology, and financial reporting and accounting operations historically accounted for in the TCS entities.

No allocations were made for Technicolor corporate governance and administrative functions, including board of directors and other corporate functions, such as tax, corporate governance and listed company compliance, investor relations, internal audit, treasury, and communications functions. Management believes that no allocation methodology was relevant as the TCS group will have to support its own corporate structure and previously benefited from these costs in a manner that would not be commensurate with any allocation key.

The following summarizes the accounting and other principles applied in preparing these combined financial statements:

Scope of combined financial statements

The scope of the combined financial statements has been determined based on the historical financial information of the Technicolor Creative Studios Business and is comprised of the business activities of the Technicolor Creative Studios Business that were historically conducted in direct and indirect subsidiaries of Technicolor and the Technicolor Creative Studios Business' investments in joint ventures and associates accounted for using the equity method.

Where the activities to be transferred by Technicolor to the Technicolor Creative Studios Group met the definition of a business in accordance with IFRS 3 ''Business Combinations'' (''IFRS 3'') and were under Technicolor's common control for all periods presented, the relevant assets and liabilities as well as income and expenses were included in the combined financial statements for the whole of the reporting periods starting from January 1, 2019. Where business activities that met the definition of a business were sold or disposed during the reporting period, the relevant assets and liabilities as well as income and expenses were included in the combined financial statements as of and for the periods presented prior to the disposal date; in the case of the Post-Production business disposed in 2021, income and expenses are presented in discontinued operations over the periods presented and assets and liabilities are presented as held for sale in 2020. A full list of the entities included in the combined financial statements that will be allocated to the Technicolor Creative Studios Group as part of the Spin-off can be found in Note 15.

In the case of companies that service Technicolor Creative Studios Business but are not part of the Technicolor Creative Studios Group, the assets and liabilities and the employment contracts of the relevant employees will be transferred to the Technicolor Creative Studios Group. These transfers to existing or newly formed members of the Technicolor Creative Studios Group primarily are expected to take place, in the financial year 2023, after the Transition Service Agreement ("TSA") ends. For purposes of the combined financial statements, income, expenses, assets, liabilities and, where required, items recorded in accumulated other comprehensive income (loss) were attributed or allocated to the Technicolor Creative Studios Business based on management's best estimate before these transfers were completed. The opening balances used to prepare the 2019 Combined Statements of Cash Flows of Technicolor Creative Studios Group were determined by management based on the contribution of the Technicolor Creative Studios Business to the historical Technicolor balances taking into consideration specific facts and circumstances that existed as of January 1, 2019 and in subsequent years.

Combination principles in the combined financial statements

The transfers of business operations between the Technicolor Creative Studios Group and Technicolor were classified as transactions under common control. The Technicolor Creative Studios Group utilized the predecessor accounting method of carrying forward the historical carrying amounts recorded by Technicolor.

All income, expenses, assets and liabilities economically attributable to the Technicolor Creative Studios Business were included in the combined financial statements. The combined financial statements also include joint ventures and associates accounted for using the equity method.

Outstanding balances and transactions within the Technicolor Creative Studios Group and all intercompany profits and losses from transactions within the Technicolor Creative Studios Group were eliminated for purposes of the combined financial statements.

In the Combined Statement of Cash Flows, operating transactions of the Technicolor Creative Studios Group with Technicolor were reported in the cash provided (required) by operating activities. Services recharged by Technicolor are also presented within cash generated from (used in) operating activities as were tax charges and benefits under the separate tax return approach. Financial and equity transactions reflecting the internal financing between the Technicolor Creative Studios Group and Technicolor (in particular cash pooling) are included in the cash provided (required) by financing activities. The transactions with Technicolor also include cash inflows and outflows in connection with transfer agreements between the members of the Technicolor Creative Studios Group and Technicolor, capital contributions and transfers from reserves in connection with the financial Safeguard in 2020 or Spin-off.

a) Invested equity

The Technicolor Creative Studios Business did not comprise a group of entities with a single parent entity during the years ended December 31, 2021, 2020 and 2019. Therefore, it is not meaningful to present share capital or an analysis of reserves. Changes in net assets attributed to the Technicolor Creative Studios Group are presented separately in the Combined Statement of Changes in Invested Equity through the line item ‘‘Net contributions from / (distributions to) Technicolor’’ and include allocation of income, expenses, assets and liabilities of Technicolor forming the Technicolor Creative Studios Business as well as in the Combined Statement of Cash Flow through the line item ‘‘Net contributions from / (distributions to) Technicolor’’, reflecting the internal equity financing between Technicolor and the Technicolor Creative Studios Group during the periods presented. Various members of the Technicolor Creative Studios Group have identified other foreign currencies as being their functional currencies. Foreign exchange gains and losses resulting from the translation of these entities’ assets and liabilities at the respective balance sheet date exchange rates and their statement of income items at the average exchange rates for each of the periods presented are recognized in the Combined Statement of Other Comprehensive Income. Differences arising from translating the results for the period and net invested equity items are recorded in the reserve ‘‘Accumulated Other Comprehensive Income (Loss)’’ within the Combined Statements of Changes in Invested Equity.

b) Centrally provided services

As an independent listed group, Technicolor Creative Studios will have to set-up an independent corporate organization; no corporate costs that were borne by corporate Technicolor entities are included within the Technicolor Creative Studios Group combined financial statements.

c) Cash management and financing

In Technicolor, cash management and external financing is centralized and liquidity needs are mainly managed through internal cash pooling arrangements with central treasury management entities, out of TCS Group scope. The Technicolor Creative Studios Group’s working capital needs have historically been funded mainly by cash pooling arrangements in addition to intercompany loans with Technicolor treasury entities. Cash from Technicolor Creative Studios’ subsidiaries is transferred to Technicolor cash pooling arrangements, and Technicolor funds its subsidiaries operating and investing activities as necessary, including those of the Technicolor Creative Studios Group. Transactions between TCS companies and Technicolor, considered to be effectively cash settled at the time the transaction is recorded, are disclosed as due to / due from Technicolor in the combined statements of financial position. Only external balances are disclosed as cash and cash equivalents. Refer to Note 8 for details on related parties' disclosures.

No portion of Technicolor's debt, cash, or cash equivalents have been attributed to these combined financial statements where as they were not historically owned by a legal entity that will be part of the Technicolor Creative Studios Group; furthermore the debt and related cash collarateral that arose from the 2020 refinancing has not been included in the combined balance sheet even if it was borne by a scope entity as this debt was economically a liability of Technicolor SA (interests were recharged to Technicolor SA and the debt was guaranteed by Technicolor SA). In consequence, the cost of financing included in the combined financial statements may not necessarily represent what the finance costs would have been, had the Technicolor Creative Studios Group historically obtained financing on a stand-alone basis. These costs may not be indicative of the cost of financing for the Technicolor Creative Studios Group in the future.

Please refer to note 14 Subsequent events for more detail about the future financing structure of the Technicolor Creative Studios Group.

d) *Lease liabilities*

In the combined financial statements, intercompany lease contracts, where Technicolor Creative Studios is the lessor have been analyzed according to IFRS 16 as operating leases, leading the sublease income to be recognized in Other Income/Expenses net. They have been analysed as operating due to the fact that under common control and past practices, the leases contracts could be amended without penalty.

e) *Income tax*

During the periods presented in these combined financial statements, the members of the Technicolor Creative Studios Group that have been established as separate legal entities have operated as separate taxpayers. For these entities tax expense and tax liabilities or tax receivables in these combined financial statements are based on actual taxation. During the periods presented, the operations of certain members of the Technicolor Creative Studios Group have been included within other Technicolor legal entities. These Technicolor Creative Studios Group entities did not file separate tax returns. Tax expense in these combined financial statements has been determined as if the members of the Technicolor Creative Studios Group were separate taxpayers in the jurisdiction of their primary operations. Total tax expense for these hypothetical tax subjected entities was determined by applying the effective tax rate of the relevant members of the Technicolor Creative Studios Group to profit before tax. Current tax expense is the amount of tax payable or refundable based on each member of the Technicolor Creative Studios Group's hypothetical, current-year separate return. Deferred tax expense has been calculated based on changes in temporary differences. The tax charges recorded in the combined statements of income are not necessarily representative of the tax charges that may arise in the future. Tax losses of the entities included in the US and French tax group of Technicolor were attributed to the heads of these respective tax group, and therefore all benefits of these losses have been transferred out of TCS. As a consequence, no loss relating to these two countries have been recognized in the Financial Statements.

f) *Share-based payments*

The Technicolor Creative Studios Group's key personnel have historically participated in Technicolor's share-based incentive plans. The combined financial statements include employee costs related to these participations based on the awards and terms previously granted to the Technicolor Creative Studios group's employees. The historical cost of share-based payments may not be indicative of the future expenses that will be incurred through incentive schemes that will be established for the Technicolor Creative Studios Group's key personnel following the Spin-off.

g) *Derivatives*

Internal derivative financial contracts entered into by Technicolor and Technicolor Creative Studios subsidiaries have been valued as external derivative contracts by Technicolor Creatives Studios. A separate treasury will be set-up prior to completion of the Spin-off, and entering derivative contracts for the benefit of Technicolor Creative Studios subsidiaries. The derivative financial instruments assigned to the combined financial statements are primarily (exclusively) foreign exchange rate forward contracts.

h) Goodwill

The goodwill amounts correspond to the historically reported amounts in the IFRS combined financial statements of Technicolor. In the Technicolor Group, the relevant Cash-generating unit for the Technicolor Creative Studios impairment test was at full Technicolor Creative Studios level. Historical Goodwill of the Technicolor Creative Studios does not include any amount related to the Technicolor acquisition by the Thomson Group in 2001 and includes the Goodwill from subsequent acquisitions such as MPC (2002), Mikros (2015) and The Mill (2015). A portion of the Goodwill of Technicolor Creative Studios was allocated as of January 2019 to the Post-Production operating segment, disposed in 2021.

However, Technicolor Creative Studios will monitor four operating segments, presented in note 3. Goodwill as of January 1st 2019 was therefore allocated to the operating segments based on their relative enterprise value at that time (including Post-Production, disposed in 2021).

i) Pensions and similar obligations

The combined financial statements include the pension obligations specifically assigned to Technicolor Creative Studios legal entities. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

j) Earnings per share

As the combined financial statements have been prepared on a carve-out basis, earnings per share is not a meaningful measure of financial performance for any of the periods presented. The Technicolor Creative Studios Group has not had share capital during the periods presented nor can a portion of Technicolor Creative Studios's outstanding shares be allocated to it. Therefore, Technicolor Creative Studios's management has determined that presenting an earnings per share ratio calculated on the carve-out information would not accurately reflect the historical earnings per share. Accordingly, the requirement of IAS 33 - Earnings per share to disclose earnings per share is not applicable.

1.3.3 Significant assumptions & estimates

The financial information has been prepared using the historical cost convention.

- Non-financial assets are initially recognized at acquisition costs or manufacturing costs including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Long term assets are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.
- Financial assets & liabilities are initially recognized at fair value or at amortized cost (see Note 9.4.1).

The preparation of combined financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period of the combined financial statements. These assumptions and estimates inherently contain some degree of uncertainty.

Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable and relevant. Actual results may differ from these estimates, while different assumptions or conditions may yield different results.

Management regularly reviews its valuations and estimates based on its past experience and various other factors considered reasonable and relevant for the determination of the fair estimates of the assets and liabilities' carrying value and of the revenues and expenses.

Technicolor Creative Studios's management believes the following to be the critical accounting policies and related judgments and estimates used in the preparation of its combined financial statements:

- Impairment of goodwill and intangible assets with indefinite useful lives (see notes 4.1, 4.2);
- Determination of the term of the rents for the estimation of the right of use and of recoverable amounts for individually impaired right-of-use asset (see note 4.4);
- Deferred tax assets recognition (see note 6.2);

1.3.4 Translation

Translation of foreign subsidiaries

For the financial statements of all the Group's entities for which the functional currency is different from that of the Group, the following methods are applied:

- The assets and liabilities are translated into euro at the rate effective at the end of the period;
- The revenues and costs are translated into euro at the average exchange rate of the period.

The translation adjustments arising are directly recorded in Other Comprehensive Income.

Translation of foreign currency transactions

Transactions in foreign currency are translated at the exchange rate effective at the trade date. Monetary assets and liabilities in foreign currency are translated at the rate of exchange prevailing at the combined statement of financial position date. The differences arising on the translation of foreign currency operations are recorded in the combined statement of operations as a foreign exchange gain and loss.

The non-monetary assets and liabilities are translated at the historical rate of exchange effective at the trade date.

The main exchange rates used for translation (one unit of euro converted to each foreign currency) are summarized in the following table:

	Closing rate			Average rate		
	2021	2020	2019	2021	2020	2019
US Dollar (US$)	1.1326	1.2271	1.1234	1.1851	1.1452	1.1206
Pound sterling (GBP)	0.8403	0.8990	0.8508	0.8615	0.8864	0.8776
Canadian Dollar (CAD)	1.4393	1.5633	1.4598	1.4868	1.5320	1.4878
Indian Roupee (INR)	84.2292	89.6605	80.1870	87.4940	84.5785	78.8850

The average rate is determined by taking the average of the month-end closing rates for the year, unless such method results in a material distortion.

2 Scope of combination

2.1 Scope and combination method

The combined financial statements have been prepared on a "carve-out" basis from the consolidated financial statements of Technicolor SA as if IFRS 10, Consolidated Financial Statements had been applied throughout. A subsidiary is deemed controlled by the Combined Group on the basis of the control analysis performed at Technicolor level. An entity is fully consolidated when Technicolor has power over that entity, is exposed to variable benefits from that entity and, due to its power over that entity, has the ability to influence the benefits that it draws from it.
The financial statements of all subsidiaries are included in the combined financial statements from the date on which the control is obtained until the date on which this control ceases.

The constitution of the new Combined Group therefore results from transfers of entities or activities within Technicolor Group. These operations are therefore a business combination between entities under common control. This type of combination is excluded from the scope of IFRS 3 ("Business Combinations"). In the absence of an IFRS standard specifically applicable to such a transaction, the Combined Group has chosen to recognize them by using the existing book value ("predecessor value accounting") in the Technicolor Group consolidated financial statements which have been prepared in accordance with IFRS as adopted by the European Union.

For the years ended December 31, 2021, 2020 and 2019, Technicolor Creative Studios combined financial statements include the accounts of all investments in subsidiaries, jointly controlled entities and associates. Their location is summarized below and main entities are listed in Note 15.

Number of companies as of December 31, 2021	FRANCE	EUROPE (exc. France)	U.S.	OTHER AMERICAS	ASIA & OCEANIA	TOTAL
Fully combined subsidiaries	7	8	2	2	4	23
Companies accounted for under the equity method	0	0	0	0	0	0
TOTAL	**7**	**8**	**2**	**2**	**4**	**23**

Number of companies as of December 31, 2020	FRANCE	EUROPE (exc. France)	U.S.	OTHER AMERICAS	ASIA & OCEANIA	TOTAL
Fully combined subsidiaries	7	8	6	2	4	27
Companies accounted for under the equity method	0	0	0	0	0	0
TOTAL	**7**	**8**	**6**	**2**	**4**	**27**

Number of companies as of December 31, 2019	FRANCE	EUROPE (exc. France)	U.S.	OTHER AMERICAS	ASIA & OCEANIA	TOTAL
Fully combined subsidiaries	4	12	6	2	3	27
Companies accounted for under the equity method	0	0	0	2	0	2
TOTAL	**4**	**12**	**6**	**4**	**3**	**29**

2.2 Change in the scope of combined accounts during 2021

On April 30, 2021, the Group concluded the sale to Streamland Media of the Post-Production business, included in the Technicolor Creative Studios (formerly Production Services) segment. The sale of Post-Production simplifies Technicolor Creative Studios portfolio of activities and allows management to increasingly focus on its remaining core CGI activities. The gain on sale of Post Production activities is included in the net income from discontinued activities.(see note 13.1 for further detail).

2.3 Change in the scope of combined accounts during 2020

There was no significant change in the scope in 2020. However the Group disposed its Canadian joint ventures Vancouver Lab Inc. and Canada Cinema Distribution Inc. for €1 resulting from negotiated termination of the strategic partnership with Deluxe services Group.

2.4 Change in the scope of combined accounts during 2019

There was no significant change in the scope of in 2019.

3 Information on operations

3.1 Information by business segments

Technicolor Creative Studios has four continuing businesses and reportable operating segments that the business intends to follow under IFRS 8: MPC, The Mill, Mikros Animation and Technicolor Games. They have been regrouped in two business segment groups which share similar production processes, resources, and customer profiles. Previously, performance was followed in an aggregated manner and the information below is only presented for revenue.

Post-Production that was delivering services such as coloring and integration of visual effects to entertainment customers has been disposed in 2021 and is presented in discontinued activities. (see note 13.1 for further detail).

The Group's Executive Committee makes its operating decisions and assesses performances based on these operating segments. All remaining activities, including unallocated corporate functions, are grouped in the segment "Corporate & Other".

MPC & Mikros Animation

Together, MPC and Mikros artists deliver contents for episodic and theatrical projects of entertainment producers.

These award-winning visual effects studios, now under the unitary MPC brand, unite artistry and creativity with technology and innovation. MPC bring decades of experience in delivering everything from breathtaking environments, down to the precise details of a full Computer-Graphic ("CG") character.

From episodic hits to major animated features, Mikros Animation work with leading animation studios. Its industry-leading facilities have become home to some of the world's most recognized and respected animators;

The Mill & Technicolor Games

The Mill and Technicolor Games are delivering digital content to create new experiences for our customers' targets.

With the latest visual effects, CGI and immersive technologies, The Mill produce groundbreaking advertising, content and interactive marketing solutions for the world's biggest brands;

Technicolor Games focuses on the creative needs for the gaming industry and collaborates with many of the top game developers in the world.

Corporate & Other

This segment will include corporate functions, which comprise the costs of Group management, together with headquarters support functions, such as Human Resources, IT, Finance, Marketing and Communication, Corporate Legal Operations and Real Estate Management, and which do not service a particular business within the two operating segments of the Group;

(€ in million)	MPC & Mikros Animation	The Mill & Technicolor Games	Corporate & Other	TOTAL
	Year ended December 31, 2021			
Statement of operations				
Revenue	324	276	1	601
Earnings before Interest & Tax (EBIT) from continuing operations				**20**
Operating leases - rent payments				(22)
Operating leases - depreciation				16
Amortization of purchase accounting items				8
Restructuring costs				5
Other non current items				4
EBITA after lease				**31**
Depreciation & amortization [(1)]				43
Other non-cash items [(2)]				1
EBITDA after lease				**75**

[(1)] Excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation

[(2)] Mainly costs of equity settled share based compensation

(€ in million)	MPC & Mikros Animation	The Mill & Technicolor Games	Corporate & Other	TOTAL
	Year ended December 31, 2020			
Statement of operations				
Revenue	193	243	2	438
Earnings before Interest & Tax (EBIT) from continuing operations				**(100)**
Operating leases - rent payments				(21)
Operating leases - depreciation				17
Amortization of purchase accounting items				8
Restructuring costs				24
Other non current items				5
EBITA after lease				**(67)**
Depreciation & amortization [(1)]				55
Other non-cash items [(2)]				0
EBITDA after lease				**(12)**

[(1)] Excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation

[(2)] Mainly costs of equity settled share based compensation

(€ in million)	MPC & Mikros Animation	The Mill & Technicolor Games	Corporate & Other	TOTAL
	Year ended December 31, 2019			
Statement of operations				
Revenue	493	278	1	771
Earnings before Interest & Tax (EBIT) from continuing operations				**11**
Operating leases - rent payments				(25)
Operating leases - depreciation				21
Amortization of purchase accounting items				8
Restructuring costs				11
Other non current items				2
EBITA after lease				**29**
Depreciation & amortization [1]				64
Other non-cash items [2]				1
EBITDA after lease				**94**

[1] *Excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation*

[2] *Mainly costs of equity settled share based compensation*

The Group intends to follow two main financial indicators by operating segment. These indicators could not be computed retrospectively as allocation rules for many expenses could not be reliably established over the periods presented.

EBITA after lease (EBITAal) :
EBIT adjusted positively by:
- The amortization of intangibles that arose from acquisitions or disposals;
- Restructuring costs;
- Other non current items (including other income (expense), impairment gains (losses) and Capital gains (losses)).

And negatively by:
- The difference between operating lease payments and operating leased assets depreciation.

EBITDA after lease (**EBITDAal) :**
EBITAal adjusted by
- Depreciation and amortization, excluding Cloud rendering and other usage based IT costs, operating lease depreciation and PPA amortization; including capital lease depreciation;
- Non-cash income and expense such as Equity-settled share-based payments.

3.2 Revenue from contracts with customers

Under IFRS 15 revenue is recognized to reflect the transfer of promised goods and services to customers for amounts that reflect the consideration to which an entity expects to be entitled in exchange for those goods and services.

When either the Group or the customer as party to a contract has performed, the contract is presented in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the goods delivered or services rendered and the customer's payment. Any unconditional rights to consideration is presented separately as a receivable.

MPC (prior Film & Episodic VFX) & Mikros Animation

MPC & Mikros Animation provides a wide-variety of visual effects for theatrical releases and TV series and animated features. Each release or season constitutes a project individually negotiated with the producing studio (i.e the customer), and considered as a single performance obligation. As the intellectual property of the project belongs to the customer (IFRS 15.35 b), revenue is recognized over time. Revenue is recognized according to the percentage of completion method. Percentage of completion is measured using labor costs to date divided by expected labor at completion.

Mikros IP produces owned and co-owned animation series and licenses it to broadcasters and other customers. Licensing revenue is recognized at a point in time: episode delivery for initial Broadcasters and upon sale of right to use for additional sales (other Broadcasters,renewals).

The Mill (prior Advertising) & Technicolor Games

The Mill provides Visual effects for brand contracts, as well as related services, such as live shooting production. Projects are generally awarded, delivered and invoices over a short period of time (typically three to six weeks). Technicolor Games provides assets such as Characters or objects for major Games Studios and other visual content. Revenue is recognized overtime according to paragraph 35 b) and 35 c) of IFRS 15. Revenue is recognized according to the percentage of completion method. Percentage of completion is measured using output measures.

3.2.1 Disaggregated revenue information

In respect of IFRS15 *Revenue from contracts with customers*, continuing revenue per method of recognition, contract assets and liabilities are disaggregated in the following way:

(€ in million)	December 31, 2021	MPC	The Mill	Mikros Animation	Technicolor Games	Corporate & Other
Revenue recognized over time	593	242	265	74	11	-
Revenue from licenses	8	-	-	7	-	1
Revenue of continuing operations	**601**	**242**	**265**	**81**	**11**	**1**

(€ in million)	December 31, 2020	MPC	The Mill	Mikros Animation	Technicolor Games	Corporate & Other
Revenue recognized over time	432	133	234	55	9	1
Revenue from licenses	6	-	-	5	-	1
Revenue of continuing operations	**438**	**133**	**234**	**60**	**9**	**2**

(€ in million)	December 31, 2019	MPC	The Mill	Mikros Animation	Technicolor Games	Corporate & Other
Revenue recognized over time	759	435	269	47	9	(0)
Revenue from licenses	12	-	-	11	-	1
Revenue of continuing operations	**771**	**435**	**269**	**58**	**9**	**1**

Relating to performance obligations still to be satisfied, only VFX activities included in MPC & Mikros segment are part of contracts that have an original expected duration of one year or more. For these services, the performance obligations still to be performed under contracts in force at the end of the reporting period amounted to €379 million as of December 31, 2021, €307 million as at December 31,2020 and €262 million as at December 31,2019 ; they were expected to be recognized mostly respectively in 2020, 2021 and 2022. Please note that in the entertainment industry, deferrals of release date of projects are not uncommon.

Information on main clients

As of December 31, 2021, one external customer represents 13% of the Group's combined revenues (€76 million), another external customer represents about 12% (€70 million) and a third external customer represents about 11% (€69 million).

As of December 31, 2020, one external customer represents 9% of the Group's combined revenues (€38 million), another external customer represents about 8% (€35 million), and another external customer represents about other 8% (€34 million).

As of December 31, 2019, one external customer represents 19% of the Group's combined revenues (€147 million), another external customer represents about 13% (€101 million), and another external customer represents about 10% (€77 million).

Information by geographical area

(€ in million)	U.S.	U.K.	Canada	France	Other	Total
Revenue						
2021	230	136	144	65	26	601
2020	194	95	91	37	20	438
2019	227	201	272	33	38	771
Non-current Assets						
2021	179	159	36	79	43	496
2020	159	160	38	75	45	476
2019	241	198	56	73	60	628

Revenues are classified according to the location of the entity that invoices the customer.

3.2.2 Contract balances

(€ in million)	2021	2020	2019
Trade receivables	63	57	71
Contract assets	74	42	62
Contract liabilities	77	36	36

Contract liabilities at the opening have been recognized in revenue during the period.

3.3 Operating income & expenses

3.3.1 Operating expenses

Main natures of operating expenses are labor (see note 11), real estate and IT costs; depreciation expense relate mainly to IT and real estate and is detailed in the notes 4.2 to to 4.4.

The selling and marketing expenses include the following expenses.

	2021	2020	2019
Selling and marketing expenses	(15)	(15)	(19)
General and administrative expenses	(63)	(64)	(69)
Selling and administrative expenses	**(78)**	**(79)**	**(88)**

3.3.2 Government grants

According to IAS 20 government grants are transfers of resources to an entity by government in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government assistance is action by government designed to provide an economic benefit that is specific to an entity or range of entities qualifying under certain criteria.

An entity recognises government grants only when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

(€ in million)	**Year Ended December 31,**		
	2021	**2020**	**2019**
Subsidies relating to Covid-19 pandemic	19	12	-
Operating subsidies	6	5	10
Total	**25**	**17**	**10**

In Technicolor Creatives Studios, operating subsidies received are mainly recognized in costs of sales and correspond to grants linked to business activity especially in France and Canada.

During 2021 and 2020, and due to Covid-19 pandemic hit on TCS business several countries put in place programs to provide financial help to mitigate the impact such as furlough in UK, emergency rent and wage subsidies in Canada, and other nature of wage grants in France and Australia.

3.3.3 Other income (expense)

Other income (expense) mainly include gains and losses on disposals of fully combined companies, incurred or estimated costs related to major litigation, as well as items in connection with Revised IFRS 3 and Revised IAS 27 such as acquisition costs related to business combinations and changes in earn-outs related to business combinations.

(€ in million)	Year ended December 31,		
	2021	**2020**	**2019**
Net capital gains	2	1	-
Litigations and other	(2)	(3)	-
Other income (expense)	**-**	**(2)**	**-**

3.4 Net financial income (expense)

(€ in million)	Year ended December 31,		
	2021	**2020**	**2019**
Interest income	10	5	4
Interest expense	(31)	(19)	(31)
Interest expense on lease debt	*(9)*	*(9)*	*(11)*
Other interest expense	*(22)*	*(10)*	*(20)*
Net interest expense	**(21)**	**(14)**	**(28)**
Net interest expense on defined benefit liability	(0)	(0)	(0)
Foreign exchange gain / (loss)	(0)	3	(3)
Other	1	(0)	0
Other financial income (expense)	**0**	**2**	**(3)**
Net financial income (expense)	**(21)**	**(12)**	**(30)**

For more details, please refer to note Related parties for the detail of interest income and other interest expense.

4 Goodwill, intangible & tangible assets

4.1 Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:
- *The fair value of the consideration transferred; plus*
- *The recognized amount of any previously owned non-controlling interests in the acquiree; plus*
- *If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less*
- *The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.*

Under option, for each business combination, any non-controlling interest in the acquiree is measured either at fair value (thus increasing the goodwill) or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Once control is achieved, further acquisition of non-controlling interest or disposal of equity interest without losing control are accounted as equity transaction.

Goodwill is recognized in the currency of the acquired subsidiary/associate and measured at cost less accumulated impairment losses and translated into euros at the rate effective at the end of the period. Goodwill is not amortized but is tested annually for impairment.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss, except if contingent consideration is classified in equity.

Technicolor Creatives Studios Group will be monitored under four dedicated business lines with MPC for Film & VFX, The Mill for Advertising , Mikros for Animation and Games.

The following table provides the allocation of goodwill to each Cash-Generating Unit (CGU) based on the organization effective as of December 31, 2021 , 2020 and 2019 (refer to Note 4.5 for detail on impairment tests and 1.1 basis of preparation).

(€ in million)	MPC	The Mill	Mikros Animation	Post-Production	Total
At January 1, 2019, net	**122**	**23**	**37**	**4**	**186**
Exchange difference	4	0	1	0	6
Acquisitions of businesses	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment loss	-	-	-	-	-
Other	-	-	-	-	-
At December 31, 2019, net	**126**	**24**	**38**	**4**	**192**
Exchange difference	(8)	(2)	(2)	(0)	(13)
Acquisitions of businesses	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment loss	-	-	-	-	-
Other [(1)]	-	-	-	(3)	(3)
At December 31, 2020, net	**118**	**22**	**36**	**0**	**176**
Exchange difference	8	2	2	0	12
Acquisitions of businesses	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment loss	-	-	-	-	-
Other	(0)	0	-	(0)	(0)
At December 31, 2021, net	**126**	**23**	**38**	**0**	**188**

[(1)] *Reclassification to Assets held for sale for the goodwill allocated to the Post Production disposal group*

4.2 Intangible assets

Intangible assets consist mainly of trademarks, capitalized development projects and acquired customer relationships.

Intangibles acquired through a business combination are recognized at fair value at the transaction date. For material amounts, Technicolor Creative Studios relies on independent appraisals to determine the fair value of intangible assets. Separately acquired intangible assets are recorded at purchase cost and internally generated intangibles are recognized at production cost.

Purchase cost comprises acquisition price plus all associated costs related to the acquisition and set-up. All other costs, including those related to the development of internally generated intangible assets such as brands, customer files, etc., are recognized as expenses of the period when they are incurred.

Intangible assets considered to have a finite useful life are amortized over their estimated useful lives and their value written down in the case of any impairment loss. Depending on the nature and the use of the intangible assets, the amortization of these assets is included either in "Cost of sales" or "Selling and administrative expenses".

Intangible assets with indefinite useful lives are not amortized but are attached to the Cash generating Unit and tested for impairment annually (see Note 4.5). As an exception, Technicolor Trademark is tested at Group level

Accounting estimates and judgments

Regarding intangible assets with finite useful lives, significant estimates and assumptions are required to determine (i) the expected useful life of these assets for purpose of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

Regarding intangible assets with indefinite useful lives, significant estimates and assumptions are required to determine the recoverable amount of such assets. See Note 4.5. for detail on the accounting policy related to impairment review on such assets.

4.2.1 Trademarks

Trademarks are considered as having an indefinite useful life and are not amortized, but are tested for impairment annually. The main reasons retained by the Group to consider a trademark as having an indefinite useful life were mainly its positioning in its market expressed in terms of volume of activity, international presence and notoriety, and its expected long-term profitability.

As of December 31, 2021, 2020 and 2019 trademarks amounted respectively to €26 million, €27 million and €28 million consist mainly of The Mill® tradename.

Following the integration of the VFX brands MPC Film, MPC Episodic and Mr. X under MPC® an impairment of €2 million in 2021 has been recognized on the Mr. X® brand to account for the business transformation and rebranding of the VFX studios.

4.2.2 Customer relationship and other intangible assets

Customer relationship

Customer relationships that are acquired through business combinations are amortized over the expected useful life of such relationships, which has been assessed at 12 years for The Mill customer relationship. The initial valuation methodology is generally the excess profit method using the attributable discounted future cash flows expected to be generated. They are tested for impairment only if management identifies triggering events that may result in a loss of value of such assets.

Other intangibles assets

Other intangibles comprise mainly capitalized development projects, acquired or internally developed software and acquired technologies.

Expenses related to Intellectual property generation of Mikros IP are capitalized based on the recoverable amount, assessed from guaranteed and highly probable sales. Periodic impairment tests are made with latest business plans. Depreciation is based on the revenue pattern, which is highly concentrated on initial sales for new franchises.

(€ in million)	Trademarks	Customer Relationships	Other intangibles	Total Intangible Assets
At January 1, 2019 , net	**27**	**71**	**41**	**139**
Cost	*27*	*98*	*140*	*265*
Accumulated depreciation	*-*	*(27)*	*(99)*	*(126)*
Exchange differences	1	2	1	5
Additions	-	-	24	24
Depreciation charge	-	(8)	(21)	(29)
Other	-	-	(19)	(19)
At December 31, 2019, net	**28**	**65**	**25**	**118**
Cost	*28*	*102*	*148*	*277*
Accumulated depreciation	*0*	*(36)*	*(123)*	*(159)*
Exchange differences	(1)	(4)	(1)	(7)
Additions	-	-	25	25
Disposal	-	-	-	-
Depreciation charge	-	(8)	(20)	(28)
Impairment loss	-	-	(3)	(3)
Other	-	-	(4)	(4)
At December 31, 2020, net	**27**	**53**	**23**	**102**
Cost	*27*	*95*	*154*	*275*
Accumulated depreciation	*(0)*	*(42)*	*(131)*	*(173)*
Exchange differences	2	4	-	5
Additions	-	-	18	18
Depreciation charge	-	(8)	(21)	(29)
Impairment loss	(2)	-	-	(3)
Other	-	-	-	-
At December 31, 2021, net	**26**	**48**	**22**	**96**
Cost	*28*	*102*	*165*	*295*
Accumulated depreciation	*(2)*	*(53)*	*(143)*	*(199)*

The customer relationship was recognized as an intangible asset as an element of the purchase price allocation following the acquisition of the Mill in 2015.

4.3 Property, plant & equipment

All Property, Plant and Equipment (PPE) are recognized at cost less any depreciation and impairment losses. They are amortized using the straight-line method over the useful life of the asset which ranges from 1 to 5 years for materials and machinery, and the leasehold improvements which are presented . Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditure.

Accounting estimates and judgments

Significant estimates and assumptions are required to determine (i) the expected useful lives of these assets for purposes of their depreciation and (ii) whether there is an impairment of their value requiring a write-down of their carrying amount. Estimates that are used to determine their expected useful lives are defined in the Group's accounting policy manual and consistently applied throughout the Group.

(€ in million)	**Machinery & Equipment**	**Other Tangible Assets**	**TOTAL**
At January 1, 2019 , net	**9**	**100**	**109**
Cost	*233*	*287*	*523*
Accumulated depreciation	*(224)*	*(186)*	*(414)*
Exchange differences	-	2	3
Additions	0	35	35
Depreciation charge	(5)	(25)	(30)
Impairment loss	0	-	-
Other (1)	5	(40)	(35)
At December 31, 2019, net	**9**	**72**	**81**
Cost	*205*	*267*	*473*
Accumulated depreciation	*(196)*	*(195)*	*(391)*
Exchange differences	-	(3)	(4)
Additions	0	8	9
Depreciation charge	(4)	(23)	(28)
Impairment loss	0	-	-
Other (2)	(2)	(5)	(7)
At December 31, 2020, net	**3**	**48**	**51**
Cost	*58*	*160*	*219*
Accumulated depreciation	*(55)*	*(112)*	*(167)*
Exchange differences	-	2	2
Additions	-	17	17
Disposals	0	(2)	(2)
Depreciation charge	(1)	(17)	(18)
Other	0	(5)	(5)
At December 31, 2021, net	**1**	**44**	**46**
Cost	*63*	*224*	*287*
Accumulated depreciation	*(61)*	*(180)*	*(240)*

(1) Corresponds to reclassification to Right-of-Use assets and transfer to Machinery and Equipment

(2) Corresponds to the transfer of tangible assets to assets held for sale and to Machinery and Equipment

Other tangibles assets are mainly composed of computers, IT equipments and leasehold improvements.

4.4 Right-of-use assets

The Group has adopted IFRS 16 at the beginning of 2019. The standard provides a single lease accounting model, requiring the lessee to recognize assets and liabilities for all leases unless the term lease is 12 months or less or the underlying asset has low value. The initial value of the right-of-use asset is equal to the sum of the present value of the lease payments over the rent period and of directs costs incurred in entering or modifying the lease. The Group depreciates its right-of-use assets using the straight-line method, starting when the right-of-use asset is ready for use until the end of the lease.

The analysis of rent period, mainly for buildings, considers the non-cancellable contract period, cancellable contract period and extension options, when the Group is reasonably certain to exercise these extension options. The Group reassesses whether it is reasonably certain through appreciation of the following information:

- *The depreciation period of the fittings*
- *The rent evolution compared to market prices*
- *Visibility regarding business activity for each site.*

(€ in million)	Real Estate	Others (1)	Total Right-of-use assets
IFRS 16 first time application	**193**	**63**	**256**
New contracts	10	-	10
Change in contracts	(4)	(0)	(4)
Depreciation charge	(28)	(27)	(55)
Impairment loss (2)	(2)	-	(2)
Exchange differences	1	2	3
At December 31, 2019, net	**171**	**38**	**209**
New contracts	1	3	4
Change in contracts	(3)	-	(3)
Reclassification (3)	(47)	-	(47)
Depreciation charge	(24)	(24)	(48)
Impairment loss (2)	(9)	-	(9)
Exchange differences	(6)	(2)	(8)
At December 31, 2020, net	**84**	**14**	**98**
New contracts	21	22	43
Change in contracts	2	-	2
Reclassification	2	-	2
Depreciation charge	(16)	(15)	(30)
Impairment loss (3)	(3)	-	(3)
Exchange differences	4	2	6
At December 31, 2021, net	**94**	**23**	**117**

(1) *Relates mainly to IT capital leases*
(2) *See Note 4.5*
(3) *Transfer of net right-of-use towards held for sale following the announcement of the sale of the Post Production activity.*

At December 31, 2021, 2020 and 2019 leased assets mainly comprise office premises and other real estate leases.

Total cash outflows on leases (excluding annual lease costs on short term leases and low value assets leases) in the years ended December 31, 2021, 2020 and 2019 amounted to €34 million, €49 million and €48 million respectively. This amounts includes onerous leases and leases paid on the disposed Post-Production business.

A maturity analysis of the lease liability is disclosed in note 9.5.5.

4.5 Impairment on non-current operating assets

Goodwill, intangible assets having an indefinite useful life and development projects not yet available for use are tested annually for impairment during the last quarter of the year and updated at the end of December and whenever circumstances indicate that they might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash outflows that are largely independent of the cash flows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies. The Group identified 4 CGUs corresponding to the operating segments.

PPE and intangible assets having a definite useful life are tested for impairment at the combined statement of financial position date only if events or circumstances indicate that they might be impaired. The main evidence indicating that an asset may be impaired includes the existence of significant changes in the operational environment of the assets, a significant decline in the expected economic performance of the assets, or a significant decline in the revenues or margin versus prior year and budget or in the market share of the Group.

The impairment test consists of comparing the carrying amount of the asset with its recoverable amount. The recoverable amount of the asset is the higher of its fair value (less costs to sell) and its value in use.

The fair value (less costs to sell) corresponds to the amount that could be obtained from the sale of the asset (or the CGU), in an arm's-length transaction between knowledgeable and willing parties, less the costs of disposal. It can be determined using an observable market price for the asset (or the CGU) or using discounted cash flow projections, that include estimated future cash inflows or outflows expected to arise from future restructuring or from improving or enhancing the asset's performance but exclude any synergies with other CGU of the Group.

Value in use is the present value of the future cash flow expected to be derived from an asset or CGU.

For determining the recoverable value, the Group uses estimates of future pre-tax discounted cash flows generated by the asset including a terminal value when appropriate. These flows are consistent with the most recent budgets approved by the Board of Directors of the Group. Estimated cash flows are discounted using pre-tax long-term market rates, reflecting the time value of money and the specific risks of the assets.

An impairment loss corresponds to the difference between the carrying amount of the asset (or group of assets) and its recoverable amount and is recognized in "Net impairment losses on non-current operating assets" for continuing operations unless the impairment is part of restructuring plans, or related to discontinued operations in which case it is recognized in "Restructuring expenses". In accordance with IAS 36, impairment of goodwill cannot be reversed.

Accounting estimates and judgments

The Group reviews annually goodwill and other indefinite-lived intangible assets for impairment in accordance with the accounting policy.

Technicolor Creative Studios's management believes its policies related to such annual impairment testing are critical accounting policies the recoverable involving critical accounting estimates because determining amount of CGU requires (i) determining the appropriate discount rate to be used to discount future expected cash flows of the cash-generating unit and (ii) estimating the value of the operating cash flows including their terminal value, the growth rate of the revenues generated by the assets tested for impairment, the operating margin rates of underlying assets for related future periods and the royalty rates for trademarks.

In addition to the annual review for impairment, Technicolor Creative Studios evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an additional impairment test in accordance with the Group accounting policy.The Group will determine which indicators it retains after the spin-off.

Management believes the updated assumptions used concerning sales growth and terminal values are reasonable and in line with updated market data available for each CGU.

(€ in million)	2021	2020	2019
Impairment loss on goodwill	-	-	-
Impairment losses on intangible assets	(2)	(3)	(1)
Impairment losses on tangible assets	(0)	(0)	(0)
Impairment losses on right-of-use assets	(3)	(9)	(2)
Impairment losses on non-current operating assets	**(5)**	**(12)**	**(2)**
Impairment reversal on intangible assets	-	-	-
Net impairment losses on non-current operating assets	**(5)**	**(12)**	**(2)**

At December 31, 2021, the Group has recognized an impairment loss on the right-of-use-assets of €3 million versus €9 million in 2020 and €2 million in 2019 . In 2021, 2020 and 2019, part of this impairment loss for respectively €1 million, €9 million and €1 milion were booked in the restructuring costs line of the combined statement of operations and reflected the Group's efforts to reduce its real estate footprint specially in its North American (USA and Canada) locations.

As part of the determination on the recoverable value of assets for impairment, the main assumptions relate to the sublease income scenarios which were determined considering current economic conditions and available market values.

4.5.1 Main assumptions at December 31, 2021 , 2020 and 2019

In order to perform the annual impairment test, the Group used the following assumptions to determine the recoverable amount of the main goodwill reporting units:

	2021	2020	2019
Basis used to determine the recoverable amount	Value in use	Value in use	Fair Value
Description of key assumptions	Budget and Business Plans		
Period for projected future cash flows	5 years	5 years	5 years
Growth rate used to extrapolate cash flow projections beyond projection period:			
- As of December 31,	3.0%	2.0%	2.0%
Post-tax discount rate applied:			
- As of December 31,	9.6%	11.1%	8.0%

The group elaborates its budgets and business plan using available general market and industry surveys, information from its customers and its knowledge of the industry.

The goodwill amounts correspond to the historically reported amounts in the IFRS consolidated financial statements of Technicolor. In the Technicolor Group, the relevant Cash-generating unit for the Technicolor Creative Studios impairment was at full Technicolor Creative Studios level. However, Technicolor Creative Studios was following sub-CGUs, which are the operating segments of the Technicolor Creative Studios Group. Goodwill as of January 1st 2019 was therefore allocated to the operating segments based on their relative enterprise value at that time (including Post-Production, disposed in 2021), and tested at Group level only for each year presented in these combined financial statements.

The Group recorded no impairment charge on Goodwill over the 3 years.

4.5.2 Sensitivity of recoverable amounts

The following sensitivity is presented at Group level on the total enterprise value of the Group.

As at December 31, 2021:

- a decrease of 1 point in the long-term growth rate assumption would decrease the enterprise value by €179 million without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2022 would decrease the enterprise value by €201 million without generating any impairment;
- an increase of 1 point in the WACC rate assumption would decrease the enterprise value by €222 million without generating any impairment.

As at December 31, 2020:

- a decrease of 1 point in the long-term growth rate assumption would decrease the enterprise value by €62 million without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2021 would decrease the enterprise value by €100 million without generating any impairment;
- an increase of 1 point in the WACC rate assumption would decrease the enterprise value by €93 million without generating any impairment.

As at December 31, 2019:

- a decrease of 1 point in the long-term growth rate assumption would decrease the enterprise value by €197 million without generating any impairment;
- a decrease of 1 point of the EBITDA margin from 2020 would decrease the enterprise value by €188 million without generating any impairment;
- an increase of 1 point in the WACC rate assumption would decrease the enterprise value by €256 million without generating any impairment.

5 Other operating information

5.1 Operating assets & liabilities

5.1.1 Trade accounts receivables

The trade receivables are part of the current financial assets. At the date of their initial recognition, they are measured at the fair value of the amount to be received. This generally represents their nominal value because the effect of discounting is generally immaterial between the recognition of the instrument and its realization.

Loss allowances on trade receivables are determined from expected credit losses. The Group chose the simplified approach offered by IFRS 9 which allows the recognition of an allowance based on the lifetime expected credit losses at each reporting date.

The expected credit losses are determined from the trade date the following way:

- application to non-major customer segments of each division of a matrix determined on the Group's historical credit loss experience

- specific follow-up of the credit risk for major customers based on their credit rating

Derecognition of assets

A receivable is derecognized when it is sold without recourse and when it is evidenced that the Group has transferred substantially all the significant risks and rewards of ownership of the receivable and has no more continuing involvement in the transferred asset.

(€ in million)	2021	2020	2019
Trade receivables	64	58	73
Less: valuation allowance	(1)	(1)	(2)
Total trade receivables	**63**	**57**	**71**

As of December 31, 2021, 2020 and 2019 trade accounts receivable include more than 30 days past due amounts respectively for €8 million, €12 million and, €12 million for which a valuation allowance was recorded for an amount of €(1) million, €(2) million and €(3) million.

The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets €63 million as of December 31, 2021 compared to €57 million as of December 31, 2020 and €71 million in 2019.

5.1.2 Other current assets & liabilities

(€ in million)	2021	2020	2019
Value added tax receivable	8	4	2
Prepaid expenses	17	15	17
Other	8	19	17
Other operating current assets	**33**	**38**	**36**
Taxes payable	(13)	(16)	(16)
Payables for fixed assets	(13)	(2)	(3)
Other	(13)	(15)	(13)
Other operating current liabilities	**(39)**	**(33)**	**(32)**

Prepaid expenses relate mainly to prepaid IT maintenance and services.

6 Income Tax

6.1 Income tax recognized in profit and loss

6.1.1 Income tax expense

Income tax expense comprises current and deferred tax. Deferred tax is recognized in profit or loss, except to the extent that it relates to items previously recognized outside profit or loss (either in OCI or directly in equity).The Group has accounted for any tax benefits arising from tax losses from discontinued operations in continuing operations since these tax losses will be used by future benefits from continuing operations.

Further to the application of IFRIC 23 Uncertainty over Income Tax Treatments, current taxes also include uncertain tax positions previously included in Provisions.

(€ in million)	2021	2020	2019
Current income tax			
France	(0)	(1)	(1)
Foreign	(12)	(4)	(1)
Total current income tax	**(12)**	**(5)**	**(2)**
Deferred income tax			
France	-	(0)	(5)
Foreign	(6)	15	(2)
Total deferred income tax	**(6)**	**15**	**(6)**
Income tax on continuing operations	**(18)**	**10**	**(8)**

In 2021, the current income tax charge is mainly made of current taxes due in Canada and India.

In 2020, the current income tax charge is mainly made of current taxes due in Canada, India and UK.

In 2019, the current income tax charge is mainly made of current taxes due in France and India.

Please see section 6.2.1 for more details on the variation of deferred taxes.

6.1.2 Group tax proof

The following table shows the reconciliation of the expected tax expense – using the French corporate tax rate respectively of 28.41% in 2021, 32.023% in 2020 and 34.43% in 2019– and the reported tax expense. The items in reconciliation are described hereafter:

(€ in million)	2021	2020	2019
Loss from continuing operations	**(18)**	**(102)**	**(27)**
Income tax	(18)	10	(8)
Pre-tax accounting income on continuing operations	**(0)**	**(112)**	**(19)**
	28%	*32%*	*34%*
Expected tax expense	**0**	**36**	**7**
Effect of unused tax losses and tax offsets not recognized as deferred tax assets [(1)]	(14)	(12)	(6)
Effect of permanent differences	0	1	(7)
Effect of different tax rates applied [(2)]	(2)	(13)	(1)
Effect of change in applicable tax rate	(1)	(1)	(1)
Withholding taxes not recovered		(1)	
Effective tax expense on continuing operations	**(18)**	**10**	**(8)**

[(1)] This line refers to valuation allowance of deferred tax assets generated on the losses and other temporary differences mainly in France, UK and USA.
[(2)] In 2020, the amount includes mainly the impact of the tax differential rate in USA and UK.

6.2 Tax position in the statement of financial position

Deferred taxes result from:
- Temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the Group combined balance sheets; and
- The carry forward of unused tax losses and tax credits.

Deferred taxes for all temporary differences are calculated for each taxable entity (or group of entities) using the balance sheet liability method.

All deferred tax liabilities are recorded except:
- When the deferred tax liability results from the initial recognition of goodwill, or from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and
- For taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the Group is able to control the timing of the reversal of the temporary differences and when it is probable that these temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recorded:
- For all deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these temporary differences can be utilized, except when the related deferred tax asset results from the initial recognition of an asset or a liability in a transaction which is not a business combination and, at the trade date, affects neither the net income nor the taxable income or loss; and

- For the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized.

The recoverable amount of the deferred tax assets is reviewed at each balance sheet date and adjusted to take into account the level of taxable profit available to allow the benefit of part or all of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are valued using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are classified as non-current assets and liabilities.

Deferred tax assets and liabilities are set off by taxable entity for the same maturities.

Accounting estimates and judgments

Management judgment is required to determine the Group's deferred tax assets and liabilities. When a specific subsidiary has a history of recent losses, future positive taxable income is assumed improbable, unless the asset recognition can be supported for reasons such as
- the losses having resulted from exceptional circumstances which are not expected to re-occur in the near future, and/or
- the expectation of exceptional gains or
- future income to be derived from long-term contracts.
The Group considered tax-planning in assessing whether deferred tax assets should be recognized.

6.2.1 Change in net deferred taxes

(€ in million)	Deferred tax assets	Deferred tax liabilities	Total, net deferred tax assets
Year ended December 31, 2018	**16**	**(12)**	**4**
Changes impacting continuing profit or loss	(10)	4	(6)
Other movement	4	(5)	(1)
Year ended December 31, 2019	**10**	**(14)**	**(3)**
Changes impacting continuing profit or loss	9	5	15
Other movement	3	(3)	(0)
Year ended December 31, 2020	**22**	**(11)**	**11**
Changes impacting continuing profit or loss	(2)	(4)	(6)
Other movement	2	(1)	1
Year ended December 31, 2021	**22**	**(16)**	**6**

As of December 31, 2021, 2020 and 2019 the net deferred tax assets amounting respectively to €6million, €11 million and €(3)milion mainly relate to the recognition of losses carried forward and other temporary differences in Australia , India, UK and Canada.

6.2.2 Source of deferred taxes

(€ in million)	2021	2020	2019
Tax losses carried forward	**14**	**9**	**8**
Tax effect of temporary differences related to:			
Property, plant and equipment	19	21	13
Intangibles assets and Goodwill	(14)	(7)	(14)
Investments and other non-current assets			
Receivables and other assets	-	-	
Retirement benefit obligations	3	3	3
Restructuring provisions	2	1	1
Provisions and other liabilities	4	7	8
Total deferred tax on temporary differences	**14**	**25**	**11**
Deferred tax assets / (liabilities) before netting	**28**	**34**	**19**
Valuation allowances on deferred tax assets	(22)	(23)	(22)
Net deferred tax assets / (liabilities)	**6**	**11**	**(3)**

The Group reports tax losses carried forward generated in countries where the Group will conduct a business in the future. Tax losses mainly arose from Mexico, Netherlands and UK.
No tax losses have been presented for France and USA.

7 Invested Equity

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded for the proceeds received, net of direct issue costs.

Equity transaction costs
Incremental and external costs directly attributable to the equity transactions are accounted for as a deduction from equity

7.1 Non-controlling interests

In 2021, there is no change in non-controlling interests.

In 2020, the main changes in non-controlling interests resulted from:

- Disposal of Canadian joint ventures Vancouver Lab Inc. and Canada Cinema Distribution Inc. for €1 resulting from negotiated termination of the strategic partnership with Deluxe services Group.

In 2019, there is no change in non-controlling interests.

8 Related party transactions

A party is related to the Group if:
- Directly or indirectly the party (i) controls, is controlled by or is under common control with the Group, (ii) has an interest in the Group that gives it significant influence over the Group;
- The party is an associate or a joint venture in which the Group is a venture;
- The party or one of its Directors is a Member of the Board of Directors or of the Executive Committee of the Group or a close Member of the family of any individual referred to above.

The Group has historically operated as part of Technicolor and had no separate legal status. For the purpose of combined Financial Statements, related party relationships include Technicolor SA, its subsidiaries which are not included in the TCS Group's scope of combination as defined by IAS 24 Related party disclosures.

Operating transactions with Technicolor are almost nil as direct and indirect support functions are included in the scope of combination as indicated in the Basis of preparations and as no cost for corporate functions has been allocated.

(€ in million)	Year Ended December 31,		
	2021	**2020**	**2019**
Assets			
Cash pool receivable with Technicolor entities	178	64	138
Other assets with Technicolor entities	2	2	2
Total Related party receivable	**180**	**66**	**140**
Liabilities			
Cash pool borrowings with Technicolor entities	215	235	173
Other liabilities with Technicolor entities	4	2	7
Total Related party liabilities	**219**	**237**	**180**
Operating result			
Revenues with Technicolor entities	1	1	1
Operating expenses with Technicolor entities	0	0	(1)
Net operating expenses from related parties	**1**	**1**	**0**
Financial result			
Net financial income with Technicolor entities	10	4	3
Net financial expense with Technicolor entities	(22)	(10)	(20)
Net interest expenses from related parties	**(12)**	**(6)**	**(17)**

No other related party transactions other than key management remuneration has been identified in 2021, 2020 and 2019.

9 Financial assets, financing liabilities & derivative financial instruments

9.1 Financial assets

Cash and cash equivalents

Cash corresponds to cash in bank accounts as well as demand deposits.

Cash equivalents corresponds to very liquid short term investments, with an original maturity not exceeding three months, which are easily convertible at any time into a known amount of cash and for which the risk on the principal amount is negligible

(€ in million)	2021	2020	2019
Cash	11	28	9
Cash equivalents	1	1	0
Cash and cash equivalents	**12**	**28**	**9**

9.2 Financial liabilities

9.2.1 Borrowings

9.2.1.1 Main features of the Group's borrowings

The Group's debt consists primarily of short term borrowings from Technicolor SA and lease liabilities. The Group's subisidairies also deposit excess cash with Technicolor SA. Details are given in the two tables below.

(€ in million)	2021	2020	2019
Borrowings from Technicolor SA	216	235	173
Lease liabilities	134	114	222
Other debt	1	1	1
TOTAL	**351**	**350**	**397**
Average interest rate based on closing debt balances	7.93%	7.18%	6.86%

(€ in million)	2021	2020	2019
Deposits with Technicolor SA	178	64	138

9.2.1.2 Key terms of the borrowing and deposit agreements

The Group's subsidiaries have entered into Treasury Management Agreements with Technicolor SA. These agreements allow the Technicolor SA central treasury to optimize financing arrangements within the Technicolor SA group for the mutual benefit of all parties by using the cash surpluses of some subsidiaries to finance the cash needs of others. Only the net amount is borrowed externally. These borrowings and deposits are recorded on internal current accounts with Technicolor SA treasury which bear interest at an arms-length rate.

The lease liabilities consist mainly of leases of real estate and to a lesser extent leases of computers and servers.

9.3 Derivative financial instruments

GENERAL PRINCIPLES

The Group uses derivative instruments notably to hedge its exposure to foreign currency risk and changes in interest rates. The financial derivatives are executed by the Technicolor SA treasury in the over the counter market and are governed by standard ISDA (International Swaps and Derivatives Association, Inc.) agreements or agreements standard for the French market.

HEDGE ACCOUNTING

Derivative instruments may be designated as hedging instruments in one of three types of hedging relationships:

- Fair value hedge, corresponding to a hedge of the exposure to the change in fair value of an asset or a liability;

- Cash flow hedge, corresponding to a hedge of the exposure to the variability in cash flows from future assets or liabilities;

- Net investment hedge in foreign operations, corresponding to a hedge of the amount of the Group's interest in the net assets of these operations.

Derivative instruments qualify for hedge accounting when at the inception of the hedge,

- there is a formal designation and documentation of the hedging relationship when put in place,

- the hedge is expected to be highly effective,

- its effectiveness can be reliably measured and it has been highly effective throughout the financial reporting periods for which the hedge was designated.

The effects of hedge accounting are as follows:

- For fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognized in the balance sheet at fair value. The gain or loss from remeasuring the hedged item at fair value is recognized in profit or loss and is offset by the effective portion of the loss or gain from remeasuring the hedging instrument at fair value.

- For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI), because the change in the fair value of the hedged portion of the underlying item is not recognized in the balance sheet, and the ineffective portion of the gain or loss on the hedging instrument, if any, is recognized in profit or loss. Amounts recognized in OCI are subsequently recognized in profit or loss in the same period or periods during which the hedged transaction affects profit or loss. Such periods are generally less than 6 months except for the licensing activity.

TERMINATION OF HEDGE ACCOUNTING

The termination of hedge accounting may occur if the underlying hedged item does not materialize or if there is a voluntary revocation of the hedging relationship at the termination or the arrival of maturity of the hedging instrument. The accounting consequences are then as follows:

- In case of cash flow hedges, the amounts recorded in other comprehensive income are taken to profit or loss in the case of the disappearance of the hedged item.

- In all cases, the result on the hedging instrument is taken into profit or loss when the hedging relationship is terminated.

9.3.1 Financial derivative portfolio

The Group hedges its foreign currency exposures with the Technicolor SA treasury. The fair value of these hedges are given below.

(€ in million)	2021		2020		2019	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Foreign currency hedges	1	1	0	0	0	1

Foreign currency hedge characteristics

The foreign currency hedges outstanding are shown in the tables below:

2021

(€ in million)	Currencies	Notional (1)	Maturity	Fair Value (2)
Forward purchases/sales	USD / GBP	28	2022	0
Forward purchases/sales	USD / CAD	10	2022	0
Fair value				**0**

2020

(€ in million)	Currencies	Notional (1)	Maturity	Fair Value (2)
Forward purchases/sales	USD / GBP	21	2021	0
Forward purchases/sales	USD / CAD	4	2021	0
Fair value				**0**

2019

(€ in million)	Currencies	Notional (1)	Maturity	Fair Value (2)
Forward purchases/sales	USD / GBP	14	2020	0
Forward purchases/sales	USD / CAD	(21)	2020	0
Fair value				**0**

(1) Net forward purchases/(sales), in millions of the first currency of the pair
(2) Market value in millions of euros at December 31

Interest rate hedge characteristics

The Group did not have any interest rate hedging instruments outstanding during the three years 2019-2021.

Characteristics of instruments not documented as hedges

During the period 2019-2021 the Group did not have any outstanding instruments that were not documented as hedges.

9.3.2 Impact of derivative financial instruments on Group performance

The Group's policy is to hedge forecast commercial transactions (cash flow hedge) and at each year-end the fair value of the portion of these deriviatives that hedge forecast cash flows is calculated and the amount recorded in net equity. At the end of the years 2021, 2020 and 2019 this impact and the amount recorded in net equity was 0 and at the end of 2018 the amount was €(3) million. Given that most of the Group's outstanding hedges at any given year-end are fully used in the following year, these amounts are an approximation of the impacts of the effective portion of hedge instruments in the following year's results. Therefore the impacts of the effective portion of foreign exchange hedges can be estimated as 0 in 2021 and 2020 and €(3) million in 2019.

The impact of the ineffective portions of foreign exchange hedges due to forward points on forward exchange operations and losses on the reduction of overhedges was 0 in each of the years 2021, 2020 and 2019.

9.4 Fair values

9.4.1 Classification and measurement

FINANCIAL ASSETS (EXCLUDING DERIVATIVES)

Management determines the classification of its financial assets at initial recognition in the light of the Group's business model for the management of financial assets, as well as the characteristics of the asset's contractual cash flows.

Further to IFRS 9 implementation, the Group chose to classify its financial assets between financial assets at amortized costs and financial assets at fair value through profit and loss.

Financial assets at amortized cost

This category is used for a financial asset when the objective is to receive its contractual cash flows, corresponding only to repayments of principal and, where applicable, interest on principal.

These assets are initially recognized at fair value less any transaction costs. They are then recognized at amortized cost using the effective interest rate method.

Where applicable, an impairment loss is recognized for the amount of expected credit losses at 12 months, unless the credit risk has increased significantly since initial recognition, in which case the impairment is calculated for the amount of expected credit losses over the life of the asset. For trade receivables and assets on trade contracts, the Group applies a simplified impairment method (see Note 5.1).

Financial assets at fair value through profit or loss

This category is used when the financial asset is not recognized at amortized cost. For these financial assets carried at fair value, changes in value are recognized in the income statement under "Other net financial income (expense)".

A financial asset is derecognized when the contractual rights to the cash flows associated with it expire or have been transferred together with substantially all the risks and rewards of ownership of the asset.

FINANCIAL LIABILITIES (EXCLUDING DERIVATIVES)

Borrowings are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Any difference between (i) net proceeds of transaction costs and (ii) redemption value is recognized in financial income over the life of the borrowings using the effective interest rate method.

Borrowings are presented as current liabilities, unless the Group has an unconditional right to defer repayment of the liability beyond a period of 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

DERIVATIVES

Derivatives are recorded at fair value. Changes in value are recognized in the income statement and/or in equity within other comprehensive income, in accordance with the principles set out in Note 9.3.

In accordance with IFRS 13 – Fair Value measurement, 3 levels of fair value measurement have been identified for financial assets & liabilities:

- Level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: internal models with observable parameters including the use of recent arm's length transactions (when available), reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs;
- Level 3: internal models with non-observable parameters.

The table below shows the breakdown of the financial assets and liabilities by accounting category:

(€ in million)	At December 31, 2021, net	Fair value measurement by accounting categories as of December 31, 2021				
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivatives Instruments	Fair Value measurement
Non-consolidated Investments	**1**	-	1	-	-	Level 3
Cash collateral & security deposits	10	10	0	-	-	Level 1
Loans & others	4	4	-	-	-	
Subleases receivables	0	0	-	-	-	
Derivative financial instruments	-	-	-	-	-	Level 2
Other non-current financial assets	**14**					
Total non-current financial assets	**14**					
Cash collateral and security deposits	2	2	0	-	-	Level 1
Other current financial assets	178	178	-	-	-	
Derivative financial instruments	0	-	-	-	0	Level 2
Other financial current assets	**181**					
Cash	11	-	11	-	-	Level 1
Cash equivalents	1	-	1	-	-	Level 1
Cash and cash equivalents	**12**					
Total current financial assets	**193**					
Non current borrowings	(1)	(1)	-	-	-	
Borrowings	**(1)**					
Derivative financial instruments	(0)	-	-	-	(0)	Level 2
Other non-current liabilities	**(0)**					
Lease liabilities	**(107)**	(107)	-	-	-	
Total non-current financial liabilities	**(108)**					
Borrowings	**(216)**	(216)	-	-	-	
Lease liabilities	**(27)**	(27)	-	-	-	
Derivative financial instruments	(0)				(0)	
Other current financial liabilities	**0**	-	-	-	0	Level 2
Total current financial liabilities	**(243)**					
TOTAL FINANCIAL LIABILITIES	**(351)**					
Trade accounts and notes receivable	**63**	63				
TRADE RECEIVABLES	**63**					
Trade accounts and notes payable	**40**	40				
TRADE PAYABLES	**40**					

(€ in million)	At December 31, 2020, net	Fair value measurement by accounting categories as of December 31, 2020				
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivatives Instruments	Fair Value measurement
Non-consolidated Investments	**0**	-	0	-	-	Level 3
Cash collateral & security deposits	14	14	0	-	-	Level 1
Loans & others	2	2	-	-	-	
Subleases receivables	0	0	-	-	-	
Derivative financial instruments	-	-	-	-	-	Level 2
Other non-current financial assets	**16**	-	-	-	-	
Total non-current financial assets	16					
Cash collateral and security deposits	0	0	0	-	-	Level 1
Other current financial assets	65	65	-	-	-	
Derivative financial instruments	0	-	-	-	0	Level 2
Other financial current assets	**65**	-	-	-	-	
Cash	28	-	28	-	-	Level 1
Cash equivalents	1	-	1	-	-	Level 1
Cash and cash equivalents	**28**	-	-	-	-	
Total current financial assets	93					
Non current borrowings	(1)	(1)	-	-	-	
Borrowings	**(1)**					
Derivative financial instruments	-	-	-	-	-	Level 2
Other non-current liabilities	**-**					
Lease liabilities	**(86)**	(86)	-	-	-	
Total non-current financial liabilities	(87)					
Borrowings	**(235)**	(235)	-	-	-	
Lease liabilities	**(28)**	(28)	-	-	-	
Derivative financial instruments	0	-				
Other current financial liabilities	**0**	-	-	-	0	Level 2
Total current financial liabilities	(263)					
TOTAL FINANCIAL LIABILITIES	(350)					
Trade accounts and notes receivable	**57**	57				
TRADE RECEIVABLES	57					
Trade accounts and notes payable	**28**	28				
TRADE PAYABLES	28					

(€ in million)	At December 31, 2019, net	Fair value measurement by accounting categories as of December 31, 2019				
		Amortized costs	Fair value through profit & loss	Fair value through equity	Derivatives Instruments	Fair Value measurement
Non-consolidated Investments	**0**	-	0	-	-	Level 3
Cash collateral & security deposits	5	4	1	-	-	Level 1
Loans & others	1	1	-	-	-	
Subleases receivables	0	0				
Derivative financial instruments	-	-	-	-	-	Level 2
Other non-current financial assets	5	-	0	-	-	
Total non-current financial assets	5					
Cash collateral and security deposits	0	-	-	-	-	Level 1
Other current financial assets	139	139	-	-	-	
Derivative financial instruments	0	-	-	-	-	Level 2
Other financial current assets	**139**	-	-	-	-	
	-					
Cash	9	-	9	-	-	Level 1
Cash equivalents	0	0	0	-	-	Level 1
Cash and cash equivalents	**9**		-	-	-	
Total current financial assets	148					
	-					
Non current borrowings	(1)	(1)	-	-	-	
Borrowings	**(1)**					
	-					
Derivative financial instruments	-	-	-	-	-	Level 2
Other non-current liabilities	**-**					
Lease liabilities	**(174)**	(174)	-	-	-	
Total non-current financial liabilities	(175)					
	-					
Borrowings	**(174)**	(174)	-	-	-	
Lease liabilities	**(48)**	(48)	-	-	-	
Derivative financial instruments	(0)	-				
Other current financial liabilities	**(0)**	-	-	-	(0)	Level 2
Total current financial liabilities	(223)					
TOTAL FINANCIAL LIABILITIES	(397)					
Trade accounts and notes receivable	**71**	71				
TRADE RECEIVABLES	71					
Trade accounts and notes payable	**53**	53				
TRADE PAYABLES	53					

Some cash collaterals for U.S. entities are classified as current because of their short maturity but are renewed automatically for periods of 12 months.

9.5 Financial instruments and risk management objectives and policies

9.5.1 Market risk

The Group faces a wide variety of financial risks including market risk (due to fluctuations in exchange rates and interest rates), liquidity risk and credit risk.

The Group's financial risks are managed centrally by the Technicolor SA treasury department in France and its regional treasury department in Ontario (California – U.S.) in accordance with the policies and procedures of the Technicolor SA group.

All financial market risks are monitored continually and reported regularly to the Chief Financial Officer, the Investment Committee and the Audit Committee of Technicolor SA via various reports showing the company's exposures to these risks with details of the transactions undertaken to reduce them.

These risks are managed in a strict framework with specific limits and authorizations approved by the Investment Committee for each type of transaction and monitoring by the Internal Control Department.

9.5.2 Interest rate risk

9.5.2.1 Exposure to interest rate risk

The Group is mainly exposed to interest rate risk on its deposits and indebtedness. All of the Group's short term borrowings with Technicolor SA are at floating rate while all of its lease liabilities are at fixed rate.

The portion of the Group's financial debt exposed to floating interest rates in each of the three years is shown below. The Group does not have have any interest rate hedging operations outstanding.

(€ in million)	2021	2020	2019
Debt	351	350	397
Percentage at floating rate	61%	67%	44%

In all three years the Group's deposits were entirely at floating rate.

9.5.2.2 Interest rate risk management

The Group did not have any interest rate hedging instruments outstanding during the three years 2019-2021.

9.5.2.3 Sensitivity to interest rate movements

The Group believes a 100 basis point fluctuation in interest rates is reasonably possible in a given year and the table below shows the maximum annual impact of such a change. This impact is applied to the net of the Group's borrowings at floating rate with its external deposits and its deposits with Technicolor SA.

Maximum impact over one year on the net exposure on net cash interest and on equity before taxes			
	2021	2020	2019
Impact of interest rate variation of +1%	0	(1)	0
Impact of interest rate variation of -1%	0	1	0

9.5.3 Foreign exchange risk

9.5.3.1 Translation Risk

The Group's consolidated financial statements are presented in euro. Thus, assets, liabilities, revenues and expenses denominated in currencies other than euro must be translated into euro at the applicable exchange rate to be included in the consolidated financial statements. The fluctuation of exchange rates can have an impact on the value of the assets, liabilities, revenues and expenses in the consolidated financial statements, even if the value of these items has not changed in their original currency.

The Group's policy is not to hedge translation risk.

Translation risk is measured by doing sensitivity analyses on the main exposures in the subsidiaries where the functional currency is different from the euro (see below).

9.5.3.2 Transaction Risk - Operational

Foreign currency transaction risk occurs when purchases and sales are made by Group entities in currencies other than their functional currencies.

The Group's main transaction risk is its sales in U.S. dollar versus Canadian dollar, versus British pound and and versus Indian rupee. In 2021, 2020 and 2019 these sales versus Canadian dollars were U.S. dollar 17 million; 20 million and 167 million respectively. In 2021, 2020 and 2019 these sales versus

British pounds were U.S. dollar 13 million; 5 million and 19 million respectively. In 2021, 2020 and 2019 these sales versus Indian rupee were U.S. dollar 91 million; 72 million and 90 million respectively.

The policy of the Group is to have its subsidiaries:

- to the extent possible denominate their costs in the same currencies as their sales;
- regularly report their projected foreign currency needs and receipts to the Technicolor SA treasury department which puts in place intercompany hedges with the subsiciaries of the Group and in turn hedges the net exposures with banks using foreign currency forward contracts.

For products with a short business cycle, the Group's policy is to hedge on a short-term basis up to six months. For products and services which are sold on a longer-term basis, hedges may be put in place for periods greater than six months.

The derivative instruments that the Group has with Technicolor SA treasury used are described in note 9.3.

Transaction risk on commercial exposures is measured by consolidating the Group's exposures and doing sensitivity analyses on the main exposures (see below).

9.5.3.3 Transaction Risk - Financial

The Group's policy is to borrow cash needs from, and lend surplus cash to, the Technicolor SA treasury, which in turn satisfies net liquidity needs by borrowing externally. Subsidiaries that cannot enter into transactions with Technicolor SA treasury because of local laws or restrictions may borrow or invest with local banks in accordance with the rules established by the Technicolor SA treasury.

All of Group's subsidiaries borrow or invest excess cash in their functional currency thus preventing any foreign exchange risk on financial assets and liabilities.

9.5.3.4 Risk on investments in Foreign Subsidiaries

The Group's general policy is to examine and hedge on a case by case basis the currency risk on its investments in foreign subsidiaries. The variations in the euro value of investments in foreign subsidiaries are booked under "Cumulative translation adjustment" in the Group's consolidated statement of financial position. At December 31, 2021, 2020 and 2019, no hedges of this type were outstanding.

9.5.3.5 Foreign Currency

The Group's main exposure is the fluctuation of the U.S. dollar against the Canadian dollar, the British pound and the Indian rupee.

The Group believes a 10% fluctuation in the U.S. dollar versus these currencies is reasonably possible in a given year and thus the table below shows the impact of a 10% increase in the U.S. dollar versus these currencies on the Group's Profit from continuing operations before tax and net finance costs. A 10% decrease in the U.S. dollar versus the euro would have a symmetrical impact in the opposite amount. These calculations assume no hedging is in place.

Profit from continuing operations before tax and net finance costs [(1)]	2021	2020	2019
Transaction impact	9	4	25
Translation impact	-2	-4	1
Total	**8**	**0**	**26**

[(1)] Profit impact is calculated as follows:
- Transaction impact calculated before hedging by applying a 10% increase in the U.S. dollar/local currency rate to the U.S. dollar exposure
- Translation impact calculated before hedging by applying a 10% increase in the U.S. dollar/functional currency exchange rate to the profits of the affiliates with the U.S. dollar as functional currency.

9.5.4 Credit and counterparty risk management

Credit risk arises from the possibility that counterparties may not be able to perform their financial obligations to the Group.

- credit risk on trade receivables is managed based on policies that take into account the credit quality and history of customers. The credit risk exposure on the Group's trade receivables corresponds to the net book value of these assets;
- the maximum credit risk exposure on the Group's cash and cash equivalents was €12 million at December 31, 2021, €28m at December 31, 2020 and €9m at December 31, 2019. The Group minimizes this risk by limiting the deposits made with any single bank and by making deposits primarily with banks that have strong credit ratings.
- the financial instruments used by the Group to manage its currency exposure are all undertaken with Technicolor SA which in turn executes transactions with counterparts having a rating of at least A-2 according to Standard & Poor's. Credit risk on such transactions is minimized by the foreign exchange policy of trading short-term operations. The marked-to-market carrying values are therefore a good proxy of the maximum credit risk.

The Group's clients are mainly large well financed studios, video streaming companies and advertising agencies and as such it does not believe that credit risk on its clients has been impacted significantly by the Covid-19 pandemic. The Group has not seen any significant increase in overdues and continues to monitor its credit risk carefully. Likewise the Group, via Technicolor SA treasury, works only with highly rated financial counterparts whose financial creditworthiness has not changed significantly due to the pandemic.

9.5.5 Liquidity risk and management of financing and of capital structure

Liquidity risk is the risk of not being able to meet upcoming financial obligations. In order to reduce this risk, Technicolor SA, which finances the Group, pursues policies with the objectives of having continued uninterrupted access to financial markets at reasonable conditions.

These policies are developed based on regular reviews and analysis of its capital structure, including the relative proportion of debt and equity in the context of market conditions and Technicolor SA's financial objectives and projections.

Among other things these reviews take into account Technicolor SA's debt maturity schedule, covenants, forecast cash flows, access to financial markets and projected financing needs.

The tables below show the future contractual cash flow obligations due on the Technicolor Group's external financial liabilities for TCS Group. Level of borrowing of TCS Group with Technicolor SA fluctuates based on Technicolor Creative Studios Group liquidity.

(€ in million)	At December 31, 2021							
	2022-H1	2022-H2	2023	2024	2025	2026	There after	Total
Lease liabilities	12	15	18	22	13	12	42	**134**
Other debt		1						**1**
Total debt principal payments	**12**	**16**	**18**	**22**	**13**	**12**	**42**	**135**
Lease liabilities - interest	5	4	5	4	4	4		**26**
Other debt - interest								**0**
Total interest payments	**5**	**4**	**5**	**4**	**4**	**4**		**26**

(€ in million)	At December 31, 2020							
	2021-H1	2021-H2	2022	2023	2024	2025	There after	Total
Lease liabilities	16	12	19	13	11	11	33	**114**
Other debt			1					**1**
Total debt principal payments	**16**	**12**	**20**	**13**	**11**	**11**	**33**	**115**
Lease liabilities - interest	3	2	3	2	2	2		**15**
Other debt - interest								**0**
Total interest payments	**3**	**2**	**3**	**2**	**2**	**2**		**15**

(€ in million)	At December 31, 2019							
	2020-H1	2020-H2	2021	2022	2023	2024	There after	Total
Lease liabilities	26	22	45	29	21	16	63	**222**
Other debt				1				**1**
Total debt principal payments	**26**	**22**	**45**	**30**	**21**	**16**	**63**	**223**
Lease liabilities - interest	10	9	9	7	8	8		**50**
Other debt - interest								**0**
Total interest payments	**10**	**9**	**9**	**7**	**8**	**8**		**50**

In addition, maturity of trade payables is less than 6 months and current financing from Technicolor under the cash-pooling agreement has no contractual due date.

Credit Lines

The Group's does not have any committed credit lines. It finances its activity by borrowing from Technicolor SA.

10 Cash flow reconciliation

10.1 Financing

The tables below show the Group's borrowings variation in the statement of financial position excluding borrowings from Technicolor SA :

(€ in million)	December 31, 2020	Cash impact of borrowings variation [1]	Non cash variation						December 31, 2021
			Non cash mouvements on lease contracts	IFRS adjustment	Interest expenses	Currency Translation Adjustments and Forex	Transfer Current - Non current	Reclassification in Liabilities held for sale	
Non current borrowing	1	1				0	(1)		1
Current borrowing	-	-				0	1		1
TOTAL BORROWING	**1**	**1**	**-**	**-**	**-**	**0**	**-**	**-**	**2**
Non current lease liabilities	86	(22)	40			8	(6)		107
Current lease liabilities	28	(12)	6			1	6		28
TOTAL LEASE LIABILITIES	**114**	**(34)**	**45**	**-**	**-**	**8**	**-**	**-**	**134**

[1] In 2021, €(2)million are related to cash flows from discountinued activities

(€ in million)	December 31, 2019	Cash impact of borrowings variation [2]	Non cash variation						December 31, 2020
			Non cash mouvements on lease contracts	IFRS adjustment	Interest expenses	Currency Translation Adjustments and Forex	Transfer Current - Non current	Reclassification in Liabilities held for sale	
Non current borrowing	1		-	-	(0)	(0)	-		1
Current borrowing	1	(0)				(0)			0
TOTAL BORROWING	**1**	**(0)**	**-**	**-**	**(0)**	**(0)**	**-**	**-**	**1**
Non current lease liabilities	174	(24)	0	-	-	(17)	(5)	(42)	86
Current lease liabilities	48	(25)	1	-	-	5	5	(6)	28
TOTAL LEASE LIABILITIES	**222**	**(49)**	**1**	**-**	**-**	**(12)**	**-**	**(48)**	**114**

[2] In 2020, €(7)million are related to cash flows from discountinued activities

(€ in million)	December 31, 2018	Cash impact of borrowings variation [3]	Non cash variation					December 31, 2019
			Non cash mouvements on lease contracts	IFRS 16 first time application	Interest expenses	Currency Translation Adjustments and Forex	Transfer Current - Non current	
Non current borrowing	2	(1)				0	(1)	1
Current borrowing	(0)	-				0	1	1
TOTAL BORROWING	**2**	**(1)**	**-**	**-**	**-**	**0**	**-**	**2**
Non current lease liabilities	27	(22)	27	145		2	(5)	174
Current lease liabilities	13	(25)	8	46	-	0	5	48
TOTAL LEASE LIABILITIES	**40**	**(48)**	**36**	**191**	**-**	**3**	**-**	**222**

[3] In 2019, €(8) million are related to cash flows from discountinued activities

The tables below show the variance of Group's borrowings and deposits with Technicolor SA (see Note 9.2.1.1) in the statement of financial position:

(€ in million)	December 31, 2020	Cash variance	Forex	Non cash variance	December 31, 2021
Deposits with Technicolor	64	118	8	(12)	178
Borrowings with Technicolor	(235)	(65)	(15)	100	(215)
Net Deposits (borrowings) with Technicolor	(171)	53	(7)	88	(37)
Net cash pooling variance (from discontinued activities - Note 13.1.2)		27			
Net cash pooling variance (combined statement of cash flows)		(81)			

(€ in million)	December 31, 2019	Cash variance	Forex	Non cash variance	December 31, 2020
Deposits with Technicolor	138	(8)	(8)	(57)	64
Borrowings with Technicolor	(173)	(97)	13	22	(235)
Net Deposits (borrowings) with Technicolor	(35)	(105)	5	(36)	(171)
Net cash pooling variance (combined statement of cash flows)		105			

(€ in million)	December 31, 2018	Cash variance	Forex	Non cash variance	December 31, 2019
Deposits with Technicolor	233	(58)	11	(47)	138
Borrowings with Technicolor	(458)	44	(11)	252	(173)
Net Deposits (borrowings) with Technicolor	(225)	(14)	(1)	205	(35)
Net cash pooling variance (combined statement of cash flows)		14			

For Borrowings and deposits with Technicolor SA, the non-cash variance is mainly attributable to capital increase through debt to equity swaps (2019), an internal carve-out operation (2020) and to the exit of an entity from the combination scope following Post-Production disposal (2021).

10.2 Changes in working capital

The tables below show the Group's operating assets and liabilities variation in the statement of financial position reconciling with the Group statement of cash flows:

	December 31, 2020	WC as presented in cash flow statement	WC Discontinued Note (13.1)	Other cash flow items	Forex and non cash movements	December 31, 2021
Trade receivables	57	2	(0)		5	63
Other operating assets	89	19	0	-	9	117
TOTAL OPERATING ASSETS	**146**	**21**	**0**	**-**	**14**	**180**
Trade payables	(28)	(7)	2		(7)	(40)
Other operating liabilities	(134)	(44)	7	10	(8)	(190)
TOTAL OPERATING LIABILITIES	**(162)**	**(51)**	**9**	**10**	**(16)**	**(230)**
Changes in working capital and other assets and liabilities as presented in the cash flow statement		**(30)**	**9**			

	December 31, 2019	WC as presented in cash flow statement	WC Discontinued Note (13.1)	Other cash flow items	Forex and non cash movements	December 31, 2020
Trade receivables	71	(1)	(1)		(11)	57
Other operating assets	108	7	(7)	-	(18)	89
TOTAL OPERATING ASSETS	**178**	**6**	**(7)**	**-**	**(30)**	**146**
Trade payables	(53)	17	1		7	(28)
Other operating liabilities	(131)	(20)	3		75	(134)
TOTAL OPERATING LIABILITIES	**(184)**	**(3)**	**4**	**-**	**81**	**(162)**
Changes in working capital and other assets and liabilities as presented in the cash flow statement		**3**	**(4)**	**-**		

	December 31, 2018	WC as presented in cash flow statement	WC Discontinued Note (13.1)	Other cash flow items	Forex and non cash movements	December 31, 2019
Trade receivables	107	(37)	(2)	0	2	71
Other operating assets	112	(8)	0	0	3	108
TOTAL OPERATING ASSETS	**220**	**(44)**	**(2)**	**1**	**5**	**178**
Trade payables	(78)	(12)	4		33	(53)
Other operating liabilities	(152)	49	2	(4)	(34)	(131)
TOTAL OPERATING LIABILITIES	**(230)**	**37**	**6**	**(4)**	**(1)**	**(184)**
Changes in working capital and other assets and liabilities as presented in the cash flow statement		**(7)**	**4**			

11 Employee benefits

11.1 Information on employees

The total headcount of the Group combined entities as of December 31, 2021, 2020 & 2019 is 10,695, 7,348 and 10,329 employees respectively.

The employee benefits expenses (including only employees in the combined entities) are detailed below:

(€ in million)	2021	2020	2019
Wages and salaries	325	317	479
Social security costs	49	48	62
Compensation expenses linked to share-based payments granted to directors and employees (Note 10.3.3)	1	-	1
Termination benefits	5	14	9
Total employee benefits expenses (excluding defined contribution plans)	**381**	**379**	**551**
Pensions costs - Defined contribution plans	**10**	**10**	**12**

The termination benefits are presented in restructuring expenses within continuing operations in the combined statement of operations.

11.2 Post-employment & long-term benefits

In France, TCS Group has a defined benefit plan which corresponds to "*Indemnités de fin de carrière*". The pension liability related to that commitment amount to respective €3 million, €4 million and €4 million at 2021, 2020 and 2019 closing periods.

In Canada, Technicolor Creative Studios provided to certain employees a post-retirement medical plan. This medical plan includes life insurance, health and dental care benefit coverage and was closed to new entrants. The pension liability related to these plans amount to respective €2 million, €3 million and €3 million at 2021, 2020 and 2019 closing periods.

11.3 Share-based compensation plans

The Group issues equity-settled and cash-settled share-based payments to certain employees. According to IFRS 2, the advantage given to the employees regarding the grant of stock options or free shares consists of an additional compensation to these employees estimated at the grant date.

Equity-settled share-based payments are measured at fair value at the grant date. They are accounted for as an employee expense on a straight-line basis over the vesting period of the plans, based on the Group's estimate of instruments that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at the current fair value determined at each balance sheet date with any changes in fair value recognized in profit or loss for the period within "Other financial income (expense)". In addition, for plans based on non-market performance conditions, the probability of achieving the performance is assessed each year and the expense is adjusted accordingly.

The fair value of instruments, and especially of options granted, is determined based either on a binomial option pricing model or on the Black-Scholes valuation model that takes into account an annual reassessment of the expected number of exercisable options. The Monte Carlo model may also be used for taking into account some market conditions.

11.3.1 Stock-options plans granted by Technicolor SA

In fiscal years 2021, 2020 and 2019, the Technicolor Creative Studios Group employees participated in the Technicolor SA share-based payment programs.

The expense recognized in 2021, 2020 and 2019 reflected the annual cost related to Combined Group employees in regards with several Management Incentive Plans prior to 2017, Long Term Incentive Plans from 2017 to 2020 and 2020 Additional Performance Shares Plan.

The main features of the compensation plans are described in Section 9.3 of the Technicolor's Consolidated Financial Statements of 2021, 2020 and 2019.

11.3.2 Compensation expenses charged to income

The compensation charged to income for the services received during the period amount to €(1) million ,€0 million and €(1) million for the years ended December 31, 2021, 2020 and 2019. The counterpart of this expense has been credited to equity.

As of December 31, 2021, 2020 and 2019 balances of lapsed plans amounting respectively to €2 million, €2 million and €1 million have been reclassed in another caption of equity according to IFRS 2 requirements.

11.4 Key management compensation

Key management personnel for the periods presented was not defined and therefore is not presented in these combined financial statements.

12 Provisions & contingencies

Provisions are recorded at the statement of financial position date when the Group has an obligation as a result of a past event and when it is probable that an outflow of resources embodying economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

The obligation may be contractual, legal, regulatory or it may represent a constructive obligation deriving from the Group's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the Group has indicated to other parties that it will accept certain responsibilities, and as a result, has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The recorded provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. If a reliable estimate cannot be made of the amount of the obligation, no provision is recorded but details of the obligation are disclosed in the notes to the combined financial statements.

Where the discounting effect is material, the recorded amount is the present value of the expenditures expected to be required to settle the related obligation. The present value is determined using pre-tax discount rates that reflect the assessment of the time value of money. Unwinding of discounts is recognized in the line item "Net financial income (expense)" in the combined statement of operations.

Accounting estimates and judgments

Technicolor Creative Studios's management is required to make judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determinations of likely outcomes of litigation and tax matters, management considers the opinion of outside counsel knowledgeable about each matter, as well as developments in case law.

Provisions for restructuring

Provisions for restructuring costs are recognized when the Group has a constructive obligation towards third parties, which results from a decision made by the Group before the statement of financial position date and supported by the following items:

- The existence of a detailed and finalized plan identifying the sites concerned, the location, the role and the approximate number of headcounts concerned, the nature of the expenses that are to be incurred and the effective date of the plan; and

- The announcement of this plan to those affected by it.

The restructuring provision only includes the costs directly linked to the plan.

12.1 Detail of provisions

(€ in million)	Provisions for risks & litigations	Provisions for restructuring	Total
As of December 31, 2019	**1**	**6**	**7**
Of which current	*1*	*6*	*7*
Of which non-current	*-*	*-*	*-*
Current period additional provision	0	20	20
Release	(0)	(1)	(1)
Usage during the period	(0)	(13)	(13)
Other movements and currency translation adjustments	(1)	(3)	(3)
As of December 31, 2020	**0**	**9**	**9**
Of which current	*0*	*9*	*9*
Of which non-current	*0*	*-*	*0*
Current period additional provision	5	7	12
Release	(0)	(2)	(2)
Usage during the period	(0)	(9)	(9)
Other movements and currency translation adjustments	-	-	(0)
As of December 31, 2021	**5**	**4**	**9**
Of which current	*3*	*4*	*6*
Of which non-current	*3*	*-*	*3*

The provisions for restructuring are mainly composed of termination costs related to continuing operations (for both employees and facilities).

12.2 Contingencies

In the ordinary course of the business, the Group is involved in various legal proceedings and is subject to tax, customs and administrative regulation. The Group's general policy is to accrue a reserve when a risk represents a contingent liability towards a third-party and when the probability of a loss is probable and it can be reasonably estimated.

12.3 Contractual obligations and commercial commitments

The following table provides information regarding the aggregate maturities of contractual obligations and commercial commitments as of December 31, 2021, 2020 and 2019, for which the Group is either obliged or conditionally obliged to make future cash payments but cannot be recognized in the balance sheet. This table includes firm commitments that would result in unconditional or conditional future payments but excludes all options since the latter are not considered as firm commitments or obligations. When an obligation leading to future payments can be cancelled through a penalty payment, the future payments included in the tables are those that management has determined most likely to occur.

(€ in million)	2021	Amount of commitments by maturity: Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Off-balance sheet obligations					
Unconditional future payments					
Operating leases	0	0	0	0	0
Other unconditional future payments [(1)]	8	2	3	2	1
Total Unconditional future payments	**8**	**2**	**3**	**2**	**1**
Conditional future payments					
Guarantees given and other conditional future payments	1	0	0	0	1
Total Conditional future payments	**1**	**0**	**0**	**0**	**1**

(€ in million)	2020	Amount of commitments by maturity: Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Off-balance sheet obligations					
Unconditional future payments					
Operating leases	0	0	0	0	0
Other unconditional future payments [(1)]	12	4	6	2	0
Total Unconditional future payments	**12**	**4**	**6**	**2**	**0**
Conditional future payments					
Guarantees given and other conditional future payments	1	0	0	0	1
Total Conditional future payments	**1**	**0**	**0**	**0**	**1**

(€ in million)	2019	Amount of commitments by maturity: Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Off-balance sheet obligations					
Unconditional future payments					
Operating leases	1	1	0	0	0
Other unconditional future payments [(1)]	10	3	4	2	1
Total Unconditional future payments	**11**	**4**	**4**	**2**	**1**
Conditional future payments					
Guarantees given and other conditional future payments	3	0	2	0	1
Total Conditional future payments	**3**	**0**	**2**	**0**	**1**

(1) Other unconditional future payments relate mainly to the maintenance costs associated with the lease.

The Group provides certain guarantees to third parties (financial institutions, customers, partners and government agencies) to ensure the fulfilment of contractual obligations by Technicolor Creative Studios and its combined subsidiaries in the ordinary course of their business. The guarantees are not shown in the table above as they do not increase the Group's commitments in relation to the initial commitments undertaken by the entities concerned. These commitments (letters of credit) represent 1m€ at the end of December 2021, 2020 and 2019.

13 Discontinued operations and held for sale operations

13.1 Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of (by sale or otherwise) or is held for sale. In accordance with IFRS 5, to be disclosed as discontinued:
- the operation must have been stopped or be classified as "asset held for sale";
- the component discontinued must clearly be distinguishable operationally and for reporting purposes;
- it must represent a separate major line of business (or geographical area of business);
- it must be part of a single major plan of disposal or is a subsidiary acquired exclusively for resale.

The profit (loss) from discontinued operations is presented as a separate line item on the face of the statement of operations with a detailed analysis provided below. The statement of operations data for all prior periods presented are reclassified to present the results of operations meeting the criteria of IFRS 5 as discontinued operations. In the statement of cash flows, the amounts related to discontinued operations are disclosed separately.

When a non-current asset or disposal group no longer meet the held for sale criteria, the asset or disposal group ceases to be classified as held for sale.

It is then measured at the lower of:
- its carrying value before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization that would have been recognized had the asset (or disposal group) not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell. Recoverable value is the higher of fair value less costs to sell and value in use.

Any adjustment to the carrying amount is included in profit and loss from continuing operations in which the assets ceased to be classified as held for sale.

Discontinued activities relate to Post-Production activities, a major line of business of TCS, announced in December 2020, and sold to Streamland in April 30, 2021 for 29 M€.

13.1.1 Results of discontinued operations

	Year ended December 31,		
(€ in million)	2021	2020	2019
DISCONTINUED OPERATIONS			
Revenues	29	76	123
Cost of sales	(23)	(83)	(118)
Gross margin	**6**	**(6)**	**4**
Selling and administrative expenses	(1)	(8)	(9)
Research and development expenses	0	0	1
Restructuring Costs	(1)	(3)	(1)
Net impairment losses on non-current operating assets	-	-	-
Other expenses	3	(2)	0
Earnings before Interest & Tax from discontinued operations	**7**	**(19)**	**(5)**
Financial net expenses	(1)	(5)	(6)
Income tax	-	0	(0)
Net income (loss)	**5**	**(24)**	**(11)**

13.1.2 Net cash from discontinued operations

(€ in million)	Year ended December 31, 2021	2020	2019
Gain (loss) from discontinued activities	**5**	**(24)**	**(11)**
Summary adjustments to reconcile loss from discontinued activities to cash used in discontinued operations			
Depreciation and amortization	1	17	20
Net change in provisions	3	1	0
Profit (loss) on asset disposals	(5)	0	(0)
Interest (income) and expense	1	5	5
Other items (including tax)	(1)	0	1
Changes in working capital and other assets and liabilities	(9)	4	(4)
Interest paid on lease debt	(1)	(5)	(5)
Interest paid	(0)	(0)	1
Income tax paid	(0)	4	(0)
NET OPERATING CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (I)	**(6)**	**2**	**7**
Acquisition of subsidiaries, associates and investments, net of cash acquired	-	-	-
Proceeds from sale of investments, net of cash	27	(0)	-
Purchases of property, plant and equipment (PPE)	(1)	(2)	(3)
Proceeds from sale of PPE and intangible assets	(0)	-	0
Purchases of intangible assets including capitalization of development costs	(0)	(1)	(2)
Cash collateral and security deposits granted to third parties	-	-	-
Cash collateral and security deposits reimbursed by third parties	0	0	(0)
NET INVESTING CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (II)	**25**	**(3)**	**(5)**
Repayments of lease debt	(2)	(7)	(8)
NET FINANCING CASH USED IN DISCONTINUED ACTIVITIES (III)	**(2)**	**(7)**	**(8)**
NET CASH GENERATED (USED) IN DISCONTINUED ACTIVITIES (I+II+III)	**17**	**(8)**	**(6)**

The net investing cash generated (used) in discontinued activities mainly consist in:

- Net cash received from disposal of Post-Production activity for €27 million in 2021;
- Acquisition of PPE and intangible assets for respectively, €(1) million, €(3) million and €(5) million in 2021, 2020 and 2019.

13.2 Assets & liabilities held for sale

In accordance with IFRS 5, if the Group decides to dispose of an asset (or disposal group) it should be classified as held for sale if:

- the asset or group of assets is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;

- it is highly likely to be sold within one year.

Consequently, this asset (or disposal group) is shown separately as "Assets held for sale" on the statement of financial position. The liabilities related to this assets (or disposal group) are also shown separately on the liabilities side of the statement of financial position.

For the Group, only assets meeting the above criteria and subject to a formal disposal decision at the appropriate management level are classified as assets held for sales. The accounting consequences are as follows:

- the asset (or disposal group) held for sale is measured at the lower of carrying amount and fair value less cost to sell;

- the asset stops being depreciated with effect from the date of transfer.

(€ in million)	December 31, 2021	December 31, 2020	December 31, 2019
Assets classified as held for sale	2	73	-
Liabilities classified as held for sale	-	56	-

As of December 31, 2021, assets held for sale include real estate right-of-use assets available for long-term sublease or in renegociation with the lessor for €2 million.

As of December 31, 2020, assets and liabilities held for sale mainly included the assets and related liabilities from the Group Post Production business, which met at that date the IFRS 5 criteria for classification as a disposal group held for sale. Included in that disposal group are:

- €3 million of goodwill allocated to Post Production;
- €52 million of non-current assets notably including the right-of-use relating to real estate operating leases for €41 million;
- the corresponding lease debt for €48 million;
- current assets and liabilities for €16 million and €8 million respectively.

Assets held for sale also included real estate right-of-use assets available for long-term sublease or in renegociation with the lessor for €2 million.

14 Subsequent events

Spin-off and Refinancing Plans

On February 24th, 2022, Technicolor announced its intention to create two independent market leaders in their respective sectors and to refinance Technicolor's existing debt.

Technicolor intends to list TCS on Euronext Paris, and to make a concurrent distribution of a 65% stake in TCS to Technicolor Creative Studios shareholders (the "Distribution").

The spin-off structure allows Technicolor shareholders to receive Technicolor Creative Studios shares, while remaining shareholders of Technicolor Ex-TCS. This distribution-in-kind should be made out of Technicolor 's share premium account and should be, from a French tax perspective and in view of the analysis to date of the composition of Technicolor SA's net equity, considered as a tax-free return of share premium under article 112 of the French tax code (*remboursement de prime d'émission*). This distribution should therefore not be subject to tax in France whether by way of a French levy, a French withholding tax or otherwise (subject to specific situations).

As far as the remaining 35% TCS stake retained by Technicolor Ex-TCS is concerned, its disposal will be considered ahead of or following the spin-off, depending on market conditions, with a view to further and significantly deleverage both new entities. The spin-off resolutions will be submitted to the Technicolor SA's Annual and Extraordinary Shareholders Meeting that it is anticipated will be convened in late June 2022. It is expected that the spin-off will take place during the later part of Q3, 2022 subject to the conditions outlined below. The Technicolor SA will request the admission of the TCS shares on Euronext Paris by way of a prospectus to be approved by the AMF. The Technicolor SA has retained Finexsi as independent financial appraiser in order to provide shareholders with an independent valuation of the TCS shares prior to the vote at the Technicolor SA annual shareholders' meeting referred to above

Concurrently, Technicolor is announcing its intention to fully refinance the group's debt.

The Group is launching negotiations to refinance its existing debt, with a view to putting in place two distinct and optimized financing packages for TCS and Technicolor Ex-TCS respectively.

The refinancing and the spin-off are expected to be completed by Q3 2022, subject to (i) the shareholders' approval of the issuance of the MCN, (ii) the shareholders' approval of the terms of the spin-off, (iii) the completion of the refinancing discussions with creditors on terms satisfactory to Technicolor Ex-TCS and TCS and (iv) customary conditions, consultations and regulatory approvals.

TCS and Technicolor Ex-TCS have distinct characteristics in terms of growth, margins, capital intensity, and cash flow generation. The contemplated transaction will allow each entity to pursue its own strategic path independently, consistent with its underlying business dynamics and financial fundamentals, and thereby achieve its full value potential. Furthermore, the spin-off of TCS should help to reduce the conglomerate discount of Technicolor Ex-TCS and create a strong basis for TCS full valuation.

Governance

On May 5, 2022, the group has announced the leadership team for TCS:

- Anne Bouverot, current Chairperson of Technicolor, will be appointed Chairperson of TCS;
- Christian Roberton, current President of TCS, will be appointed CEO of TCS;
- Laurent Carozzi, current CFO of Technicolor, will be appointed CFO of TCS and will oversee Finance, M&A and Strategy;
- The four Business Divisions will continue to be headed by the current brand leaders – Thomas Williams for MPC, Andrea Miloro for Mikros Animation, Joshua Mandel for The Mill and Jeaneane Falkler for Technicolor Games, and Production Operations will remain under Nathan Wappet.

Conflict in Ukraine

The group has not identified any significant direct exposure to the conflict in Ukraine. None of the Group's operations are situated in Ukraine or Russia, and the group has not identified any vendor, customer or partner whose relationships with Technicolor could be disrupted as a direct result from the conflict.

15 List of main combined subsidiaries

The following is a list of the principal combined holding entities and subsidiaries:

	Percentage of interest at year end (% rounded to one decimal)		
COMPANY - (Country)	**2021**	**2020**	**2019**
Fully combined			
Full integration method			
Tech 6 (France)	100.0	100.0	-
Tech7 (France)	100.0	100.0	-
Tech8 (France)	100.0	100.0	-
Technicolor Servicios de Mexico , S. de R.L. de. C.V. - MPC (Mexico)	100.0	100.0	100.0
MPC (Shanghai) Digital Technology Co., Ltd (China)	80.0	80.0	80.0
Mikros Image SAS (France)	100.0	100.0	100.0
MPC creative (France)	100.0	100.0	100.0
Mikros Image Belgium SA (Belgium)	100.0	100.0	100.0
Mikros Brussels SA (Belgium)	100.0	100.0	100.0
Technicolor India Pvt Ltd (India)	100.0	100.0	100.0
Th. multimedia Distrib.(Netherlands) BV	100.0	100.0	100.0
Technicolor Trademark Management (France)	100.0	100.0	100.0
The Mill Group Inc. (USA)	100.0	100.0	100.0
The Mill (Facility) LTD (UK)	100.0	100.0	100.0
Trace VFX LLC (USA)	-	100.0	100.0
The Mill Acquisitions 1 Ltd. (UK)	100.0	100.0	100.0
The Mill Acquisitions 2 Ltd. (UK)	100.0	100.0	100.0
Trace VFX Solutions Private India Ltd (India)	100.0	100.0	100.0
Mill Acquisition Inc. (USA)	100.0	100.0	100.0
The Mill Berlin - VFX (Germany)	-	100.0	100.0
The Mill Facility AUS Pty Ltd (Australia)	100.0	100.0	-
Technicolor Creative Services USA, Inc (USA)	100.0	100.0	100.0
Technicolor Canada, Inc (Canada)	100.0	100.0	100.0
Technicolor Creative Studios UK Ltd. (UK)	100.0	100.0	100.0
Mr. X Gotham, LLC (USA)	-	100.0	100.0
Technicolor Animation Productions SAS (France)	100.0	100.0	100.0
Combined by Equity method			
Vancouver Lab Inc (Canada)	-	-	50.0
Canada Cinema Distribution Inc (Canada)	-	-	50.0